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**Annex to the**

**REPORT FROM THE COMMISSION**

**ANNUAL REPORT OF THE INSTRUMENT FOR STRUCTURAL POLICY FOR  
PRE-ACCESSION (ISPA) 2006**

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## Introduction

Following the Brussels European Council in June 2004, which awarded *candidate country* status to Croatia, this country benefits from ISPA as of 1 January 2005. Croatia thus joined Bulgaria and Romania which is receiving ISPA assistance since the instrument was launched in 2000. As a result, this report covers the ISPA activities delivered in these three beneficiary countries.

For all of these countries, the year 2006 entailed various challenges. Whereas for Croatia the major goal was the fully committing its ISPA allocation, Bulgaria and Romania had to accelerate and improve further the implementation of ISPA funds while at the same time start preparing future projects for the Cohesion and Structural Funds to which they are entitled upon accession. From this point of view, 2006 could be concluded successfully.

## ISPA budget

In accordance with the Commission's activity based accounting system, the budget for the ISPA instrument is provided for by two budget lines: the functional budget line B13.01.04.02 and the operational budget line B13.05.01.01. The first line contains the means for covering Technical Assistance (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 infrastructure projects (measures) under decentralised management in the beneficiary countries in the environment and transport domains, as well as for TA measures, irrespective whether these are initiated by the beneficiary country or by the Commission.

For 2006, €585 million was allocated from the Commission budget to the ISPA instrument. The B13.01.04.02 budget line received €4.5 million and the B13.05.01.01 budget line €580.5 million (of which € 80,000 were committed for TA).

**Table 1: ISPA budget in 2006 – in Euro**

Budget line	Commitment appropriations	Commitments consumed	Payments implemented
Functional budget line B13.01.04.02	4,500,000	2,338,712	2,154,419
Operational budget line B13.05.01.01	580,500,000	580,350,000	175,579,778
<b>Total</b>	<b>585,000,000</b>	<b>582,688,712</b>	<b>177,734,197</b>

## Project funding

### 1. NEW ISPA PROJECTS

In 2006, following the positive opinion of the ISPA Management Committee, the Commission adopted a total of 11 new projects. The ISPA contribution to these projects amounted to more than €89.9 million, representing 66.8% of a total eligible investment cost of over €134.5 million. The remainder was financed from national, regional or local resources of the beneficiary countries which, for this purpose, had regularly recourse to loan-financing from international financial institutions (*IFIs*).

Of these projects, 4 concerned environmental protection - 1 project for water and waste water, including treatment and 1 solid waste project, as well as 2 horizontal environmental measures for the preparation of future Cohesion Fund and IPA projects. There were 5 new projects in the transport sector – 1 for improvements to navigation on the Danube River and 4 horizontal transport projects were approved for preparing future IPA and Cohesion fund projects in the transport sector covering, strengthening institutional capacity and providing technical assistance with railway modernisation measures. Finally 2 technical assistance projects were approved for supporting the National ISPA Coordinator in Croatia and ISPA Monitoring Committee meetings in Romania. Nearly 64.5% of the total ISPA contribution was awarded to the environment sector.

**Table 2: New projects approved in 2006 – in Euro**

	Project decisions n°	Eligible cost	ISPA contribution	Grant rate %	Commitments
Environment	4	81,540,109	58,097,883	71.5	58,097,883
Transport	5	52,732,558	31,557,040	77	31,557,040
Horizontal TA	2	312,335	312,335	100	312,335
<b>Total</b>	<b>11</b>	<b>134,585,002</b>	<b>89,967,258</b>	<b>82.8</b>	<b>89,967,258</b>

Commitments in 2006 totalled €580.2 million and were used for the 11 new projects decided in that year (€89.9 million), as well as for ongoing projects adopted in the previous years.

### 2. COMMITMENTS FOR ENVIRONMENT

Almost 10.1% of the budgetary commitments in the environment sector in 2006 were dedicated to water and sewerage projects, either to the provision of drinking water networks or sewerage networks or their upgrading and modernisation. Furthermore almost 55.46% were dedicated to the provision of water and wastewater pipelines,

including water and wastewater treatment facilities. 15.48% of the 2006 commitments were dedicated to the construction of WWTPs. 8.8% of the commitments were 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. Just over 1% of the commitments for 2006 were allocated to 1 project relating to reducing air pollution and a further 8.8% was allocated for environmental related technical assistance measures. TA measures focused on the preparation of beneficiary countries for the absorption of the Cohesion Fund/ERDF (Bulgaria and Romania) and IPA (Croatia).

**Table 3: Commitments in 2006 – Environment by sub-sector<sup>1</sup>**

Sub-sector	Euro	%
Water and sewerage	28,954,185	10.12
Water and/or wastewater incl. treatment	158,791,629	55.46
Construction of WWTPs	44,330,944	15.48
Solid waste collection	25,402,124	8.87
Air pollution	3,616,500	1.26
Horizontal TA	23,216,642	8.81
<b>Total environment sector</b>	<b>286,312,024</b>	<b>100</b>

### 3. COMMITMENTS FOR TRANSPORT

As in previous years, ISPA assistance in the transport sector in the ISPA countries continued to focus on the extension and improvement of the TINA (*Transport Infrastructure Needs Assessment*) and SEETO (*South East Europe Transport Observatory*) networks and their 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). 16.8% of the budgetary commitments for transport in 2006 were made in favour of combined road/rail projects, involving the construction or reconstruction of road and rail infrastructure. 34.1% of the commitments were allocated for purely road projects and 32.4% for purely railway projects. The remaining funds were assigned to 1 inland waterway projects designed to improve navigation on the river Danube and 13 transport related technical assistance measures. As for environment, TA projects were mainly used to prepare projects for the 2007-13 funding period.

<sup>1</sup> This includes commitments for projects decided in 2006 as well as tranches committed for projects decided in previous years.

**Table 4: Commitments in 2006 – Transport by sub-sector<sup>2</sup>**

Sub-sector	Euro	%
Road	100,301,532	34.18
Rail	95,235,979	32.44
Road and rail	49,332,500	16.81
Inland waterways	18,850,410	6.42%
Airports	0	0
Horizontal TA	29,784,220	10.15
<b>Total transport sector</b>	<b>293,504,641</b>	<b>100</b>

#### 4. PROJECTS FUNDED DURING 2000-2006

Between 2000 and 2006, the Commission approved a total of 107 projects on the basis of proposals submitted by Bulgaria, Croatia and Romania. Of these projects, 69 concerned the environment sector, 33 the transport sector, and 5 horizontal TA measures (1 for EDIS and 4 for the organisation of the statutory monitoring committees and supporting ISPA implementing agencies). The total eligible investment cost of these projects is €4.42 billion, with a total of €2.98 billion, or 67.3% being allocated as ISPA grants. By the end of 2006, the Commission had committed 100% of the ISPA funds set aside for the three beneficiary countries covering the period 2000 to 2006 with the commitments distributed in a balanced manner between the environment and transport sectors.

**Table 5: Projects approved in 2000-2006 – in Euro**

Sector	Project decisions n°	Eligible cost	ISPA contribution	Average grant rate %	Commitments
Environment	69	2,079,790,226	1,497,166,495	71.99	1,497,166,495
Transport	33	2,344,434,543	1,482,548,029	63.24	1,482,548,029
Horizontal TA	5	1,945,643	1,945,643	100	1,945,643
<b>Total</b>	<b>107</b>	<b>4,426,170,412</b>	<b>2,981,660,167</b>	<b>67.3</b>	<b>2,981,660,167</b>

*Note: In some cases, the initially decided ISPA contribution to a project was modified in order to take account of a reduction of the initial project cost.*

<sup>2</sup> This includes commitments for projects decided in 2006 as well as tranches committed for projects decided in previous years.

## 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 and a final payment after closure. For projects approved in 2006, virtually no payments were made (€3.719 million) representing just 4.13% of the corresponding ISPA grants.

Progress continued to be made in 2006 in implementing ISPA measures. This is reflected by the steady flow of requests received for second advance and intermediate payments. As a result, in 2006, overall ISPA payments totalled €174.3 million. By the end of the period 2000-2006, almost €733 million had been paid out, representing 24.6% of the budgetary commitments implemented in that period (€2.981 million).

**Table 6: Payments – in Euro**

<b>Sector</b>	<b>2000-2005</b>	<b>2006</b>	<b>Total</b>
Environment	255,243,502.98	87,328,724.24	342,572,227.22
Transport	302,711,402.35	86,490,276.60	389,201,678.95
TA	987,324.40	482,691.08	1,470,015.48
<b>Total</b>	<b>558,942,229.73</b>	<b>174,301,691..92</b>	<b>733,243,921.65</b>

## 6. SUMMARY TABLES

Tables 7 and 8 presented below provide an overview of the ISPA interventions for the year 2006 and for the period 2000-2006.

**Table 7: Projects decided in 2006 – in Euro**

Sub-sector	N° of projects	Eligible cost	ISPA contribution	Commitments	Payments
<b>Environment</b>					
Water and Sewage	0	0	0	0	0
Water and wastewater incl. treatment	1	52,405,660	35,111,792	35,111,792	2,777,500
Wastewater Treatment Plant	0	0	0	0	0
Solid waste	1	8,823,601	6,000,049	6,000,049	600,005
Air quality	0	0	0	0	0
Horizontal for sector	2	20,310,848	16,986,042	16,986,042	193,261
<b>Sector total</b>	<b>4</b>	<b>81,540,109</b>	<b>58,097,883</b>	<b>58,097,883</b>	<b>3,570,766</b>
<b>Transport</b>					
Road	0	0	0	0	0
Rail	0	0	0	0	0
Road and rail	0	0	0	0	0
Inland waterways	1	37,700,820	18,850,410	18,850,410	0
Airports	0	0	0	0	0
Horizontal for sector	4	15,031,738	12,706,630	12,706,630	96,426
<b>Sector total</b>	<b>5</b>	<b>52,732,558</b>	<b>31,557,040</b>	<b>31,557,040</b>	<b>96,426</b>
<b>TA</b>					
Technical Assistance	2	312,335	312,335	312,335	52,467
<b>TOTAL</b>	<b>11</b>	<b>134,585,002</b>	<b>89,967,258</b>	<b>89,967,258</b>	<b>3,719,659</b>



**Table 8: Projects decided in 2000-2006 – in Euro**

Sub-sector	N° of projects	Eligible cost	ISPA contribution	2006		2000 – 2006	
				Commitments	Payments	Commitments	Payments
<b>Environment</b>							
Water and sewerage	4	159,855,800	119,891,850	28,954,185	0	119.891.850	23.391.669.66
Water and wastewater incl. treatment	29	1,114,871,298	806,702,902	158,791,629	60,909,513.86	806,702,902	198,601,319.82
Wastewater treatment plant	16	423,731,656	304,682,634	44,330,944	10,252,651.69	304,682,634	52,709,562.05
Solid waste	10	221,209,624	165,289,567	25,402,124	10,757,355.48	165,289,567	45,301,258.66
Air quality	1	72,330,000	36,165,000	3,616,500	0	36,165,000	3,616,500
Horizontal	9	87,791,848	64,434,542	25,216,642	5,409,203.21	64,434,542	18,951,917.03
<b>Sector total</b>	<b>69</b>	<b>2,079,790,226</b>	<b>1,497,166,495</b>	<b>286,312,024</b>	<b>87,328,724.24</b>	<b>1,497,166,495</b>	<b>342,572,227.22</b>
<b>Transport</b>							
Road	9	829,892,993	617,681,420	100,301,532	47,509,077.51	617,681,420	203,794,934.98
Rail	4	924,219,358	563,132,949	95,235,979	12,379,456.60	563,132,949	110,583,727.97
Road and rail	3	331,506,452	155,050,000	49,332,500	8,505,000	155,050,000	15.505.000
Inland waterways	1	37,700,820	18,850,410	18,850,410	0	18,850,410	0
Airports	1	121,621,622	45,000,000	0	5,448,751.49	45,000,000	40,500,000
Horizontal	15	99,493,298	82,833,250	29,784,220	12,647,991	82,833,250	18,818,016
<b>Sector total</b>	<b>33</b>	<b>2,344,434,543</b>	<b>1,482,548,029</b>	<b>293,504,641</b>	<b>86,490,276</b>	<b>1,482,548,029</b>	<b>389,201,678.95</b>
<b>Horizontal</b>							
TA	5	1,945,643	1,945,643	453,335	482,691.08	1,945,643	1,470,015.48
<b>TOTAL</b>	<b>107</b>	<b>4,426,170,412</b>	<b>2,981,660,167</b>	<b>580,270,000</b>	<b>174,301,691.92</b>	<b>2,981,660,167.00</b>	<b>733,243,921.65</b>

## Technical assistance

### 7. FORMS AND DELIVERY OF TECHNICAL ASSISTANCE

The recourse to technical assistance measures constitutes an essential element for ensuring the 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, extended 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 category, the ceilings of the ISPA contribution are usually those applicable to project funding, except for the EDIS measures which benefited from a 100% grant rate, whereas the costs of the activities of the second category 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, in terms of project concept, management and operation, beneficiary countries present technically and financially sound projects to the Commission for ISPA funding. Where required, these measures can include the elaboration of strategic studies concerning the (sub-)sectors eligible for ISPA funding. Moreover, they are aimed at developing a pipeline of quality projects which is a warrant for the Commission that it identifies and receives a sufficient number of suitable projects in time. Disposing of a strong project pipeline is not only essential for ISPA, but is equally important for the Cohesion Fund (Bulgaria and Romania) and IPA (Croatia), given that these countries will normally qualify for one of these instruments, as appropriate, from 2007 onwards. As a result, all three beneficiary countries submitted TA applications for financing preparatory studies for projects to be presented under these instruments in the future.

In 2006, the Commission decided on 8 TA measures for project preparation and institutional support in Bulgaria, Romania and Croatia. Out of these 4 were for transport, 2 for environment and 2 were for horizontal technical assistance. The

combined projects represent a total eligible cost of €35.65 million with ISPA contributing €29.95 million. The total number of TA measures for project preparation approved since 2000 now stands at 29, representing a total eligible cost of €189.2 million of which €149.2 million (78.8%) was financed 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 chapter 11 *Financial management and control – incl. EDIS*.

**Table 9: Technical assistance measures on the initiative of the beneficiary countries  
2000-2006 – in Euro**

Sub-sector	No of projects	Eligible cost	ISPA contribution	Commitments 2006	Payments 2006	Commitments 2000-6	Payments 2000-6
<b>Environment</b>							
Sector total	9	87,791,848	64,434,542	25,216,642	5,409,203.21	64,434,542	18,951,917.03
<b>Transport</b>							
Sector total	15	99,493,298	82,833,250	29,784,220	12,647,991	82,833,250	18,818,016
<b>Horizontal TA</b>							
Sector Total	5	1,945,643	1,945,643	453,335	482,691.08	1,945,643	1,470,015.48
<b>TOTAL</b>	<b>29</b>	<b>189,230,789</b>	<b>149,213,435</b>	<b>55,454,197</b>	<b>18,539,885.29</b>	<b>149,213,435</b>	<b>39,239,948.51</b>

## **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.

Payments in 2006 are drawn either from these commitments or from commitments made in previous years.

TA activities in 2006 were either carried out through stand-alone TA actions launched in the early ISPA years, or in the framework of multi-annual action programmes. Over the 7 year period, three such action programmes were presented to the ISPA Management Committee, namely:

*TA Action Programme 2001,*

*TA Action Programme 2004-2006 for Bulgaria and Romania, and*

*TA Action Programme 2005-2006 for Croatia.*

For Romania & Bulgaria, the Commission drafted the *TA Action Programme 2004-2006* which covers TA activities on the initiative of or on behalf of the Commission relating to the implementation of ISPA in those two countries. The activities are similar to those launched under the *TA Action Programme 2001*. The Programme was submitted to the ISPA Management Committee by written procedure and received the Committee's favourable opinion on 26 April 2004.

The *TA Action Programme 2001*, which covered until 2004 TA needs for all ten beneficiary countries at that time and as of May 2004 activities in Bulgaria and Romania only, focused on support to EC Delegations, support for the organisation of Monitoring Committees and service contracts for project appraisal assistance as well as policy development, mainly in the field of public-private partnerships. The programme received a favourable opinion from the 9<sup>th</sup> ISPA Management Committee on 9 April 2001.

Following Croatia's elevation to candidacy status, which made the country eligible for Community assistance under ISPA for the period 2005-2006, DG Regional Policy prepare a *TA Action Programme 2005-2006 for Croatia*. It was submitted to the ISPA Management Committee by written procedure and received the Committee's favourable opinion on 10 May 2005.

## **10. ACTIVITIES CARRIED OUT IN 2006**

The description of tasks follows the format of the previous reports to the Committee and follows the classification and nomenclature contained in the related reports and documents.

The financial details of these activities are presented in Tables 10 to 12.

### **Activities undertaken outside the aforementioned "action programmes"**

In previous years, activities outside the action programmes covered mainly three types of activities:

- local technical intra-muros assistance (Deconcentration activities to EC Delegations);
- service contracts for providing technical and financial expertise to DG Regional Policy to assist in project appraisal and policy development; and
- Framework contracts for specific technical tasks.

The first two activities were closed in 2004. The framework contracts for the appraisal of ISPA projects were carried out under the two framework contracts which were signed in 2000 with international consulting firms for duration of 5 years, as well as EIB. The consultancy contracts came to an end in the course of May 2005, and a final payment of €221,138 was made in 2006.

The financial details are summarized in Table 10.

## **10.1. Technical Assistance activities financed under the “TA Action Programme 2001”**

Initially foreseen to cover TA activities during the period 2001-2003 for all ten ISPA beneficiary countries, activities for the 8 acceding countries ceased by the end of April 2004, but continued until the end of 2004 for Bulgaria and Romania. The activities concerned were financed from the commitments allocated during the period 2001-2003 which amounted to €11,860,864.

The certain number of activities for Bulgaria and Romania continued during 2006 and are described below. The financial details are presented in Table 11.

### *10.1.1. Monitoring Committee (Area 3.1.2)*

In grant agreement for financing expenditures covering the organisation of statutory monitoring committees, and related monitoring expenditures was closed for Bulgaria in 2005 and for Romania in 2006. The amounts committed in 2001 were €130,000 for Bulgaria and €160,000 for Romania. Payments of €67,953 were made in 2006 for Romania.

### *10.1.2. Quality Improvement (Area 3.2)*

#### *Strategic analysis of Via Baltica (Area.3.2.1.a)*

The 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 in 2003, was completed in 2006. Payments of €151,840 were made in 2006.

### *10.1.3. Financial Engineering (Area 3.4)*

#### *Public-private partnership (Area 3.4.1)*

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

The amount committed was €3,100,000, €330,528 were paid in 2006.

### *10.1.4. Information/Communication (Area 3.5)*

#### *IT System (Area 3.5.2c)*

Funds were used under this activity to cover ISPA-related expenditures for the DG-wide IT products, such as the Workflow System (WFS). A total of € 3 969 were paid in 2006.

## **10.2. Technical Assistance activities financed under the “TA Action Programme 2004-2006 for Bulgaria and Romania”, and “TA Action Programme 2005-2006 for Croatia”**

These programmes are to be considered as a follow-up to the *TA Action Programme 2001*, albeit focussing only on Bulgaria and Romania, as well as Croatia. Most of its TA 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, as well as Croatia for the period 2005-2006. Furthermore, this programme incorporated new framework contracts for the quality appraisal of ISPA project proposals which were previously financed outside of the 2001 Programme. In the following only those activities described for which commitments were entered into the budgeted or for which payments were made in 2006.

### *10.2.1. Intra-muros support to EC Delegations (action 3.1.1)*

A commitment totalling €1,880,800 was earmarked under the functional budget line B-13.01.04.02 for the payment of salaries and overheads for expatriate staff (ALATs) and local agents working in the EC Delegations in Bucharest, Sofia and Zagreb on ISPA implementation. Payments in 2006 totalled €1,478,984; €1,288,106 had been paid from the 2006 commitment, and €190,878 was paid from budgetary commitments entered in 2005. Recruitment difficulties that the Zagreb Delegation faced in 2005 and which persisted for most of 2006, partly explain the lower than expected turnout.

### *10.2.2. Extra muros resources support to EC Delegations (SSTA) (action 3.1.2)*

For Delegations in Sofia and Bucharest resources amounting to € 351.562, were made available for small-scale technical assistance (SSTA) and short-term expertise managed by the Heads of Delegation (of which € 174.819 were for Bucharest). This assistance covers, *inter alia*, tendering support, appraisal assistance, small training on public procurement, financial and economic analysis and the like. For the Delegation in Zagreb, €106.350 was committed for SSTA support. Payments of €215,190 were made in Bulgaria (€100,839 from that commitment, the remainder from earlier commitments), and €253,710 in Romania (€83,885 from the 2006 commitment). For Croatia €206,535 were paid, of which €142,725 were posted to the 2005 commitment.

### *10.2.3. Support to Bulgaria and Romania to improve the quality of environment and transport projects throughout the project cycle (action 3.3)*

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. The contract was closed in 2006. Payments of €281,970 were made in 2006.

*10.2.4. Assistance and technical support for the appraisal and quality control of projects received by the Commission services – two framework contracts for transport and environment (Action 3.5.1)*

As indicated above, the two ongoing framework contracts expired in 2005. In November 2004, the Commission signed two new multiple framework contracts for environment and transport projects, both of which were concluded with *Scott Wilson Kirkpatrick* (main contractor), covering appraisal assignments for projects under the Cohesion Fund and ISPA in Bulgaria and Romania. A number of assignments were conducted in 2006, and payments of €219,688 were made.

*10.2.5. Assistance and technical support for the appraisal and quality control of projects received by the Commission services – framework contract with the EIB (action 3.5.2)*

€80,000 was committed in 2006.

The financial details of the activities under these Programmes are summarized in Table 12.

**Table 10: Budgetary allocation and payments for TA outside the Action Programmes - in Euro**

<b>Beneficiary</b>	<b>Type of contract</b>	<b>Activity</b>	<b>Commitments 2000</b>	<b>Commitments 2006</b>	<b>Payments 2006</b>	<b>Payments 2000-2006</b>
Kampsax/ Brown&Root	Framework	Transport	2,000,000	0	0	1.337.681
Tractebel/ Halcrow	Framework	Environment	2,000,000	0	222,138	1,698,019
EIB	Framework	Project appraisal	210,000	0	0	72,164
<b>TOTAL</b>			<b>4,210,000</b>	<b>0</b>	<b>222,138</b>	<b>3.107.864</b>



**Table 11: Budgetary allocation and payments for TA Action Programme 2001 - in Euro**

Area	Activity	Type of contract/ beneficiary	Indicative allocations	Commitments 2001-2003	Status activity*	Payments 2006	Total payments 2001-2006**
3.1	<i>Implementation</i>		5,000,000	5,499,000		67,953	2,810,830
3.1.1	Supplementary support to DEC (SSTA)	Sub-delegation/ EC Delegations		4,499,000	closed	-	2,338,949
3.1.2	Monitoring Committee	Grant financing/ NIC,NAO		1,000,000	closed	67,953	471,881
3.2	<i>Quality Improvement</i>		2,150,000	2,635,057		151,840	2,532,808
3.2.1	Strategic analysis of the Via Baltica	Contract/ Faber Maunsell		379,600	closed	151,840	379,600
3.2.1	Improvement of public service	Grant financing/ Transparency International Slovakia		52,500	closed	0	44,626
3.2.3	ISPA Partner Meeting 2002	bon de commande		94,060	closed	0	94,060
3.2.3	Riga WFD Seminar	bon de commande		35,160	closed	0	35,160
3.2.3	Prague WFD Seminar	bon de commande		50,231	closed	0	50,231
3.2.3	FIDIC Seminars	Contract/ European Construction Ventures		42,486	closed	0	42,486
3.2.3	ISPA Partner Meeting 2003	bon de commande		250,000	closed	0	155,825
3.2.3	Training Public Procurement	Contracts/ Hyder, Cowi, Ove Arup		1,730,820	closed	0	1,730,820
3.3	<i>Decentralisation</i>	<i>Contract</i>	800,000	0	<i>cancelled</i>	0	0
3.4	<i>Financial Engineering</i>		3,100,000	3,100,000		330,528	2,457,929
3.4.1	Public-private partnership	Multiple framework contract/Parsons & Brinckerof, (Cowi), Agriconsulting, (Deloitte & Touche)		3,100,000	closed	330,528	2,457,929
3.5	<i>Information/Communication</i>		950,000	626,807		3,969	346,856
3.5.2	Information activities	Contracts/ Aeidl, European Dynamics, OPOCE		181,017	closed	0	6.160
3.5.2	Translation services	DGT Framework Contract		60,000	closed	0	17,001
3.5.2	IT System	Contracts/ Intrasoft , Serco, EC_Doc, Trasys Sword		385,790	-	3,969	323,695
	<b>TOTAL</b>		<b>12,000,000</b>	<b>11,860,664</b>		<b>554,290</b>	<b>8,148,423</b>

\* A closed activity is one which has been completed and for which all payments have been made.

\*\* Some of the payments made prior to 2006 relate to ISPA beneficiary countries that became Member State in 2004.

**Table 12: Budgetary allocation and payments for TA Action Programme 2004-2006 for Bulgaria and Romania and TA Action Programme 2005-2006 for Croatia (in Euro)**

Action	Type of contract/ beneficiary	Activity	Indicative allocations 2004-2006	Status activity	Commitments 2006	Payments 2006	Total Payments 2004-2006
3.1.1 incl. Action Progr. 2005-6 for Croatia	EC Delegations (Bulgaria, Croatia and Romania)	Intra-muros support	5,322,680	completed	1,880,800	1,478,984	4,459,470
3.1.2	EC Delegations – SSTA (Bulgaria and Romania)	Extra-muros support	2,995,000	completed	351,562	468,901	949,069
Action Progr. 2005-6 for Croatia	Croatia		760,000	completed	106,350	206,535	206,535
3.2	-	Support for Monitoring Committee	200,000	cancelled			
3.3	Contract/Ecorys	Support to Bulgaria and Romania to improve the quality of environment and transport projects throughout the Project Cycle	520,000	closed	0	281,970	469,950
3.4.1	-	Support to Bulgaria and Romania to improve public monitoring and quality control on public service delivery	300,000	cancelled			
3.5.1	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's services	600,000	closed	0	219,688	219,688
3.5.2	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	closed	80,000	0	0
3.6.1	Framework contract/DGT	Preparation of printed information material and translation services	100,000	No activity	0	0	0
3.6.2	-	Information, management tools and website	120,000	cancelled			
3.6.3	-	Seminars and conferences	200,000	cancelled			
		<b>TOTAL</b>	<b>11,267,680</b>		<b>2,418,712</b>	<b>2,656,078</b>	<b>6,304,712</b>

\*An activity is completed when it has been executed but not paid out entirely. It is closed when it is completed and all payments made.

\*\* Some of these payments prior to 2006 relate to ISPA beneficiary countries that became member states in 2004.

## Management and implementation

### 11. 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.

Until EDIS is granted, the staff of the EC Delegations in the beneficiary countries plays an important role in supervising the daily management, implementation and monitoring of ISPA measures. After EDIS, which was granted to Romanian implementing agencies in summer 2006, the Delegation continued to monitor tendering and contracting activities until accession. Apart from exerting the Commission powers for endorsing tendering and contracting (prior to EDIS), it is best placed to ensure progress on the ground and liaise with national authorities and final beneficiaries on any problem that may arise.

While for Bulgaria and Romania the first ISPA projects were approved by the Commission in 2000, implementation of these projects started at best in 2001, generally, by tendering the service contracts for supervision of the implementation. However, due to regular delays in the tendering and contracting process, the first actual works contracts were not signed until 2002. Progress on the ground has slowly gained pace since then, which is witnessed by the progress in the payments made by the Commission to the national authorities of these two acceding countries.

With regard to Croatia, the first two projects were approved in December 2005 and a further four projects were approved in July and September 2006. By the end of 2006 implementation had not yet commenced on any of these projects. However, the first two tenders for service contracts were announced in January 2007. The reason for the delay in implementation has been the Croatian implementing agency and final beneficiary's lack of experience in preparing and running international tenders, a lack of suitable staff and unfamiliarity with ISPA procedures. Technical assistance is being provided to the Croats in order to speed up the implementation process. It has to be said that Croatia's poor performance during the first year of ISPA implementation is in line with the performance of most other ISPA recipient countries (some ISPA countries took up to 18 months to announce their first tender from the date of the approval of the measure). Therefore the situation is not considered at this stage to be alarming.

### 12. FINANCIAL MANAGEMENT AND CONTROL, INCLUDING *EDIS*

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.

The audit effort in 2006 continued to be very resource intensive in terms of audit assignments on the spot, participation in seminars and meetings to best prepare these two countries in the run-up to accession. In 2006, four audit missions were carried out in Romania and Bulgaria in the context of the EDIS process where the final stage consists of a verification audit by the Commission auditors with the objective to assess the readiness of the acceding countries to assume full responsibility for tendering and contracting by waiving the ex-ante controls made by the EC delegations. In Romania, the unqualified audit opinion effectively supported the Commission's EDIS decision for the four concerned implementing agencies and EDIS was granted on the 28 June 2006. Follow up-missions carried out during the second half of 2006 to verify the post-EDIS situation provided equally positive results. In Bulgaria, the Commission's decision to waive ex-ante controls could be granted for three out of four agencies and was taken only on the 23 November 2006. The failure to obtain EDIS before accession for one implementing agency in Bulgaria resulted in a pre-suspension letter being sent by the Directorate-General in December 2006. The main weaknesses are being identified as severe difficulties in implementing public procurement rules.

In parallel with EDIS, a number of project audits were carried out in Romania in order to verify the legality and regularity of the expenditure declarations submitted to the Commission and the related payments. The main issues in this respect concerned ineligible expenditure certified to the Commission, lack of supporting documents, verification of eligibility of expenditure which was incompletely or not adequately documented, addenda to contracts not correctly processed and publicity and information measures not fully complied with.

A number of project audits were carried also out in Bulgaria. In general, the main findings were reflecting the shortcomings identified during the system audits, namely the insufficient quality of tendering and contracting dossiers, particularly in relation to modifications of contracts, the need to improve the verification of expenditure declarations and the incomplete adherence to publicity and information requirements.

Due to very slow progress of ISPA projects in Croatia in 2006, the audit work consisted of desk work in relation to issues outstanding after the system audits which were carried out during the second half of 2005 and which effectively supported the Commission's decision to grant DIS to Croatia in February 2006. The main deficiency which was still outstanding relates to the development of an effective and coherent staff retention policy.

In 2007, during the first quarter, the audit work in Romania has concentrated on the preparation for OPs 2007-2013: waiting for the results of the compliance assessment exercise, an advisory mission was carried to cover institutions/bodies which have not been involved in pre-accession funds (OP Regional Development; OP Competitiveness). One mission of this kind had already taken place in 2006 (OP ENV). The remaining part of the year will be devoted to monitoring of compliance with public procurement rules and continuing auditing projects in both sectors. In

Bulgaria, during the first quarter of 2007, a follow up mission of EDIS stage IV verification audit at the Ministry of Environment, which was not granted EDIS in 2006, was carried out. The follow up mission has confirmed a good progress in enhancing the system for procurement verifications. However, there are still aspects that need to be constantly monitored (the transparency of the process related to the overrule from the top management of decisions taken by evaluation committees, the respect of the rules for modifying works contracts, the need to ensure that evaluation committees fully apply their power of autonomy and responsibility in the selection of tenders).

In Croatia, an advisory mission in relation to IPA was carried out in April 2007. The preliminary conclusion was that progress in setting up the IPA management and control system was considered satisfactory, taking into account the delays and uncertainties linked to the completion of the relevant legal framework. However, attention should be paid to the proper identification of the institutions and bodies which are best placed to manage and implement IPA functions within the Operating Structures and to the need to establish and maintain systematic and effective communication channels between all the actors involved.

Finally, as underlined in last year's annual report, a recurring problem regarding the implementation of ISPA was the lack of qualified and experienced personnel - including their high turnover- in the beneficiary countries. Consequently, bottlenecks occurred in particular in the sensitive procurement process and in the internal audit function. This situation, if not properly addressed, is likely to be a major constraint for the effective utilisation of the Structural and Cohesion Funds as well. Close monitoring of progress in this respect will therefore be ensured during advisory missions.

### **13. RISK ASSESSMENT**

As from 2007, only Croatia will have measures implemented under the ISPA instrument. The audit work planned for 2007 and the subsequent years is based on the results of the audit work to date and the related objectives of the Audit Directorate of DG Regional Policy. The audit strategy sets out the objectives which are defined by the senior management of DG Regional Policy. These objectives are defined on the basis of detailed discussions with the operational directorates during which information on potential risk is shared. The audit strategy then sets out the actions to achieve the objectives, taking account of the risks identified. In general, risk is minimized by implementing this strategy.

Under the system of *ex ante* approval, priority is given to ensuring that each country put in place sufficient control procedures regarding project implementation and payments. However, the management of pre-accession funds carries an inherent risk since the funds are delivered by a variety of organisations and systems. Eligibility of expenditure is determined by compliance with rules and conditions fixed at Community and national level which can lead to complexity and risk of misinterpretation. The Croatian authorities are planning to submit the application to waive *ex-ante* control during the second half of 2007 for the ISPA projects in accordance with the provisions of Regulation 1266/1999.

#### 14. EUROPEAN COURT OF AUDITORS FINDINGS

The Court of Auditors performed a limited review at the Commission involving mainly an examination of Commission activities concerning management and control systems in one of the candidate countries (Croatia) and in the accession countries (Bulgaria and Romania), including an examination of the advancement of EDIS for the latter countries. The audit did not involve an examination of specific underlying transactions (From the "annual report concerning the financial year 2005", published in October 2006).

The conclusion of the Court was that, overall, taking into account the audit scope, the transactions audited were not materially affected by error except for the transactions financed under the Sapard Programme, where significant errors were found. While the Court noted improvements in the supervisory and control systems at the level of the Commission, important weaknesses were noted at national level. In the case of the Phare and Turkey Programmes and ISPA projects, the relatively high frequency of these weaknesses was compensated by corrective action resulting from the Delegation's *ex-ante* controls.

In relation to all pre-accession funds, including ISPA, the Court recommended that the Commission a) monitors closely the effective functioning of national supervisory and control systems, notably as far as award and payment procedures are concerned and b) clearly defines the procedures to be applied by the Delegations in the *ex-ante* control process. The Commission responded by ensuring that a) it will continue to monitor closely the effective functioning of national supervisory and control systems and b) it considers that these procedures are already clear. However, the Commission added that it is ready to review the procedures in the light of the experience gained in the last years.

In the context of the DAS 2006, the Court selected 4 ISPA projects in Romania and 2 ISPA projects in Bulgaria. The results are not yet available at the date of the drafting of this report.

#### 15. CO-FINANCING PARTNERS – EIB, EBRD AND KfW

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, continues 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.

Only one project, decided in 2006, benefited from loan-financing from the *EIB* and is presented in the following table:

**Table 13: Projects co-financed by the EIB in 2006**

<b>Country</b>	<b>Environment</b>
<b>Romania</b>	Improvement of the water distribution, sewerage and wastewater treatment in Caras-Severin County

No projects were co-financed by the EBRD or KfW in 2006.

## 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 in some instances –in case of irregularities- 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 until EDIS was granted (see above). Under the *ex-ante* 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 as long as implementing agencies are not edisized to the EC Delegations in the beneficiary countries.

### 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.

### 18. ENVIRONMENT POLICY

During the year 2006, 4 new ISPA projects for environment were approved, 2 were infrastructure projects and 2 were technical assistance measures. The TA measures were for the preparation of future IPA funded environment projects (integrated water projects, wastewater treatment plants, solid waste projects) in Croatia and the preparation of projects to be funded by the Cohesion Fund and structural funds in Romania. These projects represented a total grant amount of €58.09 million with the corresponding assisted investment amounting to an eligible value of €81.54 million. With a share of nearly 64% of the assistance, it was 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 the correct implementation of the EIA directive, particularly aspects related to public consultation. 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 cancels out the benefits of received training and 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, as far as Bulgaria and Romania are concerned, 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 these 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**

Only 1 new ISPA investment project (representing a total ISPA grant amount of €18.85 million) and 4 technical assistance projects (representing a total grant of €12.70 million) were approved in the transport sector in 2006.

The transport networks in the beneficiary countries, agreed in accordance with TINA (Transport Infrastructure Needs Assessment) and REBIS (Regional Balkans Infrastructure Study) were constructed around the framework of pan-European corridors. Several of them include branches running across the territory of Bulgaria, Croatia and/or Romania, i.e. Corridor IV Dresden-Praha-Bratislava/Wien-Budapest-Arad, Corridor V Venezia-Trieste/Koper-Ljubljana-Budapest-Uzgorod-Lviv, including branches Va, Vb and Vc, Corridor VII the 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-Veles-Thessaloniki, including branch Xa. These networks were 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 and REBIS networks, i.e. concern the construction or rehabilitation of a section, nodal point or access relating to the networks. As the acceding 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 Strategic Reference Frameworks (NSRFs), which will be the planning tool for the future use of the Cohesion and Structural Funds.

**Table 14: ISPA transport investment projects by pan-European transport corridor (approved in 2006)**

Corridor	ISPA project
<p style="text-align: center;"><b>VII</b> <i>Danube river</i></p>	<p>Improvement of the navigation conditions on the Danube between Calarasi and Braila and accompanying measures.</p>

The final TEN-T networks for Bulgaria and Romania are based on the TINA process, and were agreed and included in the Accession Treaty for these countries. The TEN-T networks for Croatia are based on SEETO recommendations.

With the adoption in April 2004 of the revised Community guidelines for the development of the trans-European transport network (TEN-T guidelines) 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 contributing to a 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/Patras-Athina-Sofia-Budapest* and project n° 18 the inland waterway axis *Rhine/Meuse/Main-Danube*, and one including Croatia, i.e. project n° 6 railway axis *Lyon-Trieste-Divaca/Koper-Divaca-Ljubljana-Budapest-Ukrainian border*.

## Co-ordination among pre-accession instruments

As required by the Coordination Regulation<sup>3</sup>, 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.

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<sup>3</sup> 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 2006, Bulgaria received a total commitment of €167,985,505 of which €28,244,236 has been committed to new ISPA projects and the remaining amount has been utilized by the existing projects approved during the period 2000-2005. Of the 2006 allocation, €16,019,736 was assigned to 1 environmental TA project and €12,224,500 to 3 transportation TA projects. Considering the years 2000–2006, the total ISPA allocation in Bulgaria corresponds to €881,608,000, from which the amount of commitments represents €879,908,118. Thus, virtually the whole of the available ISPA allocations for the period were committed in Bulgaria. These commitments were equally balanced between the environment sector, with 49.6%, and the transport sector, with 50.4%.

#### Programming

A total of 4 new projects were approved in 2005. In the transport sector, 3 technical assistance projects were adopted; one targeting the railway project preparation, the second one relating to roads project preparation and TA funds were also allocated for the capacity building of the Ministry of Transport. In the environment sector the approved TA project targeted the preparation of 10+ water management and 6 solid waste management projects to be in future submitted for the support of CF/ERDF.

#### Implementation

While during 2000-2006 the available ISPA allocations were fully committed to 38 projects, payments up to end 2006 amounted to €226,798,867, representing 26% of total ISPA grant committed. The payments total has increased each year as projects have reached the implementation stage except of 2006, where the cancellation of 6 works tenders caused downfall of payments to €50,332,156 in comparison with 2005, when total payments amounted to €74,487,355. Therefore the overall pace of project implementation remains slow and still needs to be significantly increased.

During 2006 several projects were completed. In the case of the environment sector, four regional waste management facilities located in Russe, Montana, Sevlievo and Sliven were finalized and put into operation and the first wastewater treatment plant in Gorna Oriahovitza was also completed.

Administrative weakness is the main challenge facing the implementation of ISPA, in particular in procurement, financial and contract management and the capacity of the final beneficiaries. This has been confirmed by the audit missions undertaken by the Commission in Bulgaria in 2006 that resulted into the adverse opinion of the Commission to grant EDIS to the ISPA Implementing Agency at the Ministry of Environment and Waters.

#### Procurement ratio

Calculated as the total contracted amount against the total eligible cost for the period 2000-2005, the procurement ratio amounted approximately to 30%.

## **Monitoring and Evaluation**

In 2006, the ISPA Monitoring Committee met twice, respectively in June and December. Attention of the Bulgarian authorities was drawn to the need to speed up the implementation of all projects. Nearly every project has acquired a delay of several months before contracting the TA preparing the works tenders. Delays for more advanced projects accumulate in several cases to more than 2 years from the initial plans. With regard to the environment sector in particular, it was emphasised that the insufficient involvement of the final beneficiaries additionally hinder the implementation of projects.

## **Co-financing with IFIs**

Co-financing with the IFIs has been an important feature of the ISPA projects in Bulgaria especially in the transport sector. Considering that the investment needs of the country largely exceed the ISPA allocation, it is anticipated that this co-operation will have to continue over the period ahead. Among the projects approved in 2000-2006, IFI co-financed several transport and environment projects. Specifically EIB is involved in the water projects in Maritsa Basin (Haskovo), Sofia and Sliven and as regards the transport sector EIB loans were approved for Sofia Airport, Transit Roads Rehabilitation, Plovdiv-Svilengrad Railway Electrification and Danube Bridge project. On the other hand the water projects in Bourgas and Russe and fume desulphurisation project in Maritsa East II Thermal Power Plant are benefiting from loans from the EBRD.

## **EDIS**

After a long process the Commission took a decision on 23 November 2006 to grant EDIS accreditation to 3 out of 4 ISPA implementing agencies: the Ministry of Regional Development and Public Works, Ministry of Transport, and the National Road Infrastructure Fund NRIF (formerly Roads Executive Agency). This decision is subject to safeguarding conditions (in the case of Ministry of Transport and NRIF) and recommendations, as well as close monitoring by the Commission. However, the Commission had not considered that the Ministry of Environment and Waters has met the main conditions for EDIS accreditation and drew attention to a number of remaining deficiencies on which urgent action is required by Bulgarian authorities. A response on action taken to meet these deficiencies is required in 2007.

The Commission has emphasised on a number of occasions to the Bulgarian authorities that even though the EDIS accreditation is linked to the pre-accession countries, the thorough follow-up on the findings concerning the EDIS accreditation audit is necessary and will have an impact on the programming period 2007-13.

## **Lessons Learned**

It should be highlighted that the main added value of ISPA in Bulgaria during the whole period of 2000-2006 has been delivered via the original goal of the instrument - to prepare the future EU Member State for the effective utilisation of Structural Funds and the Cohesion Fund.

## **Other ISPA experiences:**

### **Positive**

- The ISPA allocation for the period 2000-06 as a whole (€879 million) was fully taken up.
- A total of 38 measures were approved for a potential investment of €1.5 billion to provide clean water, vital transport links and improved waste facilities.
- The balance between transport and environment was maintained.
- ISPA has provided invaluable “learning by doing” experience in large-scale infrastructure implementation.
- Structure set up for ISPA will be crucial to implementation of important parts of the Cohesion/Structural Funds.
- The financing of a good pipeline of projects for the future in the environment sector in particular, but also rail.
- ISPA has highlighted weaknesses which need to be tackled for successful implementation of future projects regardless of financing source, e.g. procurement, financial management systems, land acquisition and EIA procedures.

### **Negative**

- Administrative capacity weaknesses have impacted on all phases of the project cycle from initial identification and prioritisation through to implementation: the shortage of staff, inexperience, high turnover due to political changes, etc.
- These weaknesses are reflected in over-dependence on EU money to finance all relevant activities, over-dependence on consultants, and difficulties in managing consultants and contractors.
- Inadequate administrative structures and lack of co-ordination – e.g. rivalry between MOEW and MRDPW in water sector, and dependence of Roads Agency on MRDPW rather than MT.
- Highly centralized approach to environmental investment projects which should ultimately be responsibility of regional/municipal actors (though this to some extent even greater weaknesses at local level).
- Difficulties and irregularities in procurement process as well as dependence on ECD to resolve problems: high rejection rate of dossiers, cancellations and re-evaluations, complaints and allegations, irregularities.
- Delay in achieving EDIS reflects lack of preparedness of main actors – EDIS accreditation granted 23/11/2006 for MRDPW and, subject to conditions, MT & NRIF, but not to MOEW.
- Financial management and control weaknesses not fully addressed.

**Table 15: Projects decided in 2006 Bulgaria – in Euro**

<b>Sub-sector</b>	<b>N° of projects</b>	<b>Eligible cost</b>	<b>ISPA contribution</b>	<b>Commitments</b>	<b>Payments</b>
<b>Environment</b>					
Water and sewerage	0	0	0	0	0
Water and wastewater incl. treatment	0	0	0	0	0
WWTP	0	0	0	0	0
Solid waste	0	0	0	0	0
Air quality	0	0	0	0	0
Horizontal	1	18,846,748	16,019,736	16,019,736	0
<b>Sectoral total</b>	<b>1</b>	<b>18,846,748</b>	<b>16,019,736</b>	<b>16,019,736</b>	<b>0</b>
<b>Transport</b>					
Road	0	0	0	0	0
Rail	0	0	0	0	0
Road and rail	0	0	0	0	0
Inland waterways	0	0	0	0	0
Airports	0	0	0	0	0
Horizontal	3	14,290,000	12,224,500	12,224,500	0
<b>Sectoral total</b>	<b>3</b>	<b>14,290,000</b>	<b>12,224,500</b>	<b>12,224,500</b>	<b>0</b>
<b>Horizontal</b>					
<b>Technical assistance</b>	0	0	0	0	0
<b>TOTAL</b>	<b>4</b>	<b>33,136,748</b>	<b>28,244,236</b>	<b>28,244,236</b>	<b>0</b>

**Table 16: Projects decided 2000-2006 Bulgaria – in Euro**

Sub-sector	N° of projects	Eligible cost	ISPA contribution	2006		2000 – 2006	
				Commitments	Payments	Commitments	Payments
<b>Environment</b>							
Water and sewerage	0	0	0	0	0	0	0
Water/ wastewater including treatment	5	136,632,000	96,054,000	23,993,400	7,698,000	96,054,000	9,605,400
WWTP	14	305,751,656	227,027,634	33,045,694	10,252,651.69	227,027,634	42,932,719.20
Solid waste	2	69,066,923	51,800,193	2,182,075	0	51,800,193	24,993,538.18
Air quality	1	72,330,000	36,165,000	3,616,500	0	36,165,000	3,616,500
Horizontal for sector	3	36,267,748	30,040,736	17,309,336	573,937.57	30,040,736	6,636,827.22
<b>Sector total</b>	<b>25</b>	<b>620,048,327</b>	<b>441,087,563</b>	<b>80,147,005</b>	<b>18,524,589.26</b>	<b>441,087,563</b>	<b>87,784,984.60</b>
<b>Transport</b>							
Road	2	186,950,000	140,212,500	24,142,500	18,213,855.15	140,212,500	48,255,000
Rail	1	340,000,000	153,000,000	33,862,500	5,353,238.07	153,000,000	35,953,238.07
Road & rail	1	225,806,452	70,000,000	14,000,000	0	70,000,000	7,000,000
Inland waterways	0	0	0	0	0	0	0
Airports	1	121,621,622	45,000,000	0	5,448 751.49	45,000,000	40,500,000
Horizontal for sector	6	34,690,000	29,564,500	15,692,500	2,468,400	29,564,500	6,466,800
<b>Sector total</b>	<b>11</b>	<b>909,068,074</b>	<b>437,777,000</b>	<b>87,697,500</b>	<b>31,484,244.71</b>	<b>437,777,000</b>	<b>138,175,038.07</b>
<b>Horizontal Support</b>							
TA	2	1,043,555	1,043,555	141,000	323,322	1,043,555	838,844
<b>TOTAL</b>	<b>38</b>	<b>1,530,159,956</b>	<b>879,908,118</b>	<b>167,985,505</b>	<b>50,332,155.97</b>	<b>879,908,118</b>	<b>226,798,866.67</b>



**Table 17: Technical assistance measures 2000-2006 Bulgaria – in Euro**

Sub-sector	N° of projects	Eligible cost	ISPA contribution	2006		2000 – 2006	
				Commitments	Payments	Commitments	Payments
<b>Environment</b>							
<b>Sector total</b>	<b>25</b>	<b>620,048,327</b>	<b>441,087,563</b>	<b>80,147,005</b>	<b>18,524,589.26</b>	<b>441,087,563</b>	<b>87,784,984.60</b>
<b>Transport</b>							
<b>Sector total</b>	<b>11</b>	<b>909,068,074</b>	<b>437,777,000</b>	<b>87,697,500</b>	<b>31,484,244.71</b>	<b>437,777,000</b>	<b>138,175,038.07</b>
<b>Horizontal Support</b>							
<b>Sector total</b>	<b>2</b>	<b>1,043,555</b>	<b>1,043,555</b>	<b>141,000</b>	<b>323,322</b>	<b>1,043,555</b>	<b>838,844</b>
<b>TOTAL</b>	<b>38</b>	<b>1,530,159,956</b>	<b>879,908,118</b>	<b>167,985,505</b>	<b>50,332,155.97</b>	<b>879,908,118</b>	<b>226,798,866.67</b>

## 21. ROMANIA

In 2006, Romania received a total commitment of €377.8 million of ISPA assistance. Of the 2006 allocation, €189 million was assigned to transport projects and € 189 million to environment projects. Of these commitments, technical assistance measures accounted for €20.3 million. Considering the years 2000–2006, the total amount of grant decisions in Romania corresponds to almost €2,043 million. These commitments are almost evenly divided between the environment (50.3%) and the transport (49.7%) sectors.

### **Programming**

Three new projects were approved in 2006. In the transport sector 1 investment project was approved: Danube works. One new TA measure will support the Monitoring Committee in monitoring the implementation of ISPA projects. In the environment sector 1 investment project was approved concerning the combined investment in the drinking and wastewater sectors in the Caras-Severin County.

### **Implementation**

While during 2000-2006 the available ISPA allocations were fully committed to 63 projects, payments up to end 2006 amounted to €500 million, of which €118 million was paid in 2006.

In the period 2000-2006, 61 measures, including TA measures, received one payment, i.e. the first instalment of the advance, of which 35 measures also received the second instalment of the advance, and 25 measures received a total of 47 interim payments (25 first interim, 15 second interim and 7 third interim payments). Regarding the TA measures, 6 measures received only the first advance payment, 8 measures received both the first and second advance payment, and 6 measures received in addition a total of 12 interim payments.

In 2006, first advances were paid for 15 measures and second advances for 7 measures, whereas interim payments were made with respect to 14 measures. Although this reflects some progress in the contracting of works, the overall pace of project implementation remains slow and needs to be increased.

The outcome of audit missions in the first half of 2006 undertaken by the Commission in Romania reflected the strengthening of the administrative capacity that has taken place and allowed the accreditation of the Extended Decentralised Implementation System (EDIS), waiving the ex-ante control of the Commission, to all ISPA Implementing Agencies. Nonetheless, continued efforts, notably audits are deemed necessary to safeguard sound financial management. Follow-up audit missions are accordingly scheduled for 2007.

The rate of implementation, however, remains below expectations and there is a need to continue reinforcing the administrative capacity to ensure a satisfactory and timely completion of the ISPA projects. In this context, ISPA is funding technical assistance providing institutional support in the framework of project preparation and implementation for the period 2007-2013.

## **Procurement ratio**

Calculated as the total contracted amount against the total eligible cost for the period 2000-2006, the procurement ratio by the end of 2006 is 56%.

## **Monitoring and Evaluation**

In 2006, the ISPA Monitoring Committee met twice, respectively in June and December. Attention of the Romanian authorities was drawn to the need to speed up the implementation of all projects. Nearly every project has acquired a delay of several months before contracting the TA preparing the works tenders. As regards delays for more advanced projects, in several cases these accumulated to more than 2 years from the initial plans. With regard to the environment sector in particular, it was emphasised that the insufficient supervision of contracts by the contracting authorities and the lack of a proactive approach added to hindering the timely implementation of projects.

## **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 receiving loan-financing from IFIs. Considering that the investment needs largely exceed the ISPA allocation, it is anticipated that this co-operation will continue until the end of the ISPA programming period. Since 2000, 45 projects benefited from EIB loan-financing - including the projects decided in 2006- and a further 12 measures were co-financed with the EBRD and 3 measures co-financed by the German bank KfW.

## **EDIS**

The extended decentralised implementation system EDIS – consisting of four stages: stage 1 gap assessment, stage 2 gap plugging, stage 3 compliance assessment and stage 4 accreditation – have been successfully completed in Romania. Audit work and application checks were completed in December 2005.

On 20 March 2006, the National Authorising Officer of Romania reaffirmed the request dated 20 December 2005 to waive the ex-ante approval requirement, referred to in Article 12 (1) of Council Regulation (EC) No 1266/1999, for the ISPA Implementing Agencies in Romania.

The Commission analysed the national and sectoral project management capacity, financial control procedures and structures regarding public finance in Romania and concluded that for all the ISPA Implementing Agencies in Romania, which encompass the Central Financing and Contracting Unit (CFCU), the National Company of Motorways and National Roads (NAR), the ISPA Implementing Agency in the National Company of Railways (CFR), and the ISPA Implementing Agency in the Ministry of Transport, Construction and Tourism (MTCT), the conditions and criteria set out in Article 12 (2) and in the Annex to Council Regulation (EC) No. 1266/1999 should be complied with.

ISPA assisted the EDIS exercise in Stage 2 with the TA measure 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.

### **Lessons learnt**

- The Romanian authorities have made significant progress in programming investments according to coherent strategies. Few substantial difficulties occurred in committing the allocated pre-accession budget, but significant shortfalls have been identified in the implementation of the decided projects. The weak payment flow has to improve significantly in the forthcoming programming period 2007-2013.
- Nonetheless, the Romanian experience in implementing ISPA has been an invaluable training exercise in “learning by doing”. Experience has been built up in the preparation of strategies, project development, procurement procedures, environmental impact assessment (EIA), land acquisition, monitoring, etc. Implementing ISPA projects has highlighted weaknesses which might not otherwise have become apparent. ISPA provides furthermore essential support for the preparation of project pipelines within the different Operational programmes which might help decisively to improve the experienced weak payment absorption.
- An important issue is the preparation of mature projects. The better the projects are developed the easier will be the implementation. With regard to the forthcoming programming period technical assistance as well as JASPERS are supposed to support essentially the development of a mature project pipeline facilitating the later implementation.
- Transparency and consistency of procurement decision in line with the acquis will be another predominant target in particular for the implementation of large projects with international contractors. Intensive training of the existing and recently set-up institutions in the follow-up of accession negotiation and intensive exchange with experienced member state should allow a sustainable completion of this target.
- Moreover, several monitoring tools, as the extended Single Management Implementation System (SMIS) will allow better transparency, and faster reaction on implementation impediments and solution findings for both past and forthcoming implementation.
- The concentration of the implementation system at the central level is in the long term, in particular in the environment sector, not sustainable. Recent implementation problems resulted from increasing bottlenecks at the central level. The decentralisation of implementation tasks will have to extend the know-how on the various levels of implementation. Local and regional institutions and entities will have to take increasing ownership in order to accelerate the implementation.
- Further issues that deserves closed analysis and adequate actions in the future are:

- Conflicts during the implementation process by adaptation of national laws (for instant the one reforming the definition of land property).
- Lack of transparency in the presentation of national control and anti-fraud reports and reactive measures endanger the payment process. The national authorities need to contribute by any available resources to quick clarifications of any upcoming allegation in the context of audits, anti-fraud investigations or complaints.
- Implementation delays leading to further complications (cost-overruns, etc.) of the implementation process.

**Table 18: Projects decided 2006 Romania – in Euro**

<b>Sub-sector</b>	<b>N° of projects</b>	<b>Eligible cost</b>	<b>ISPA contribution</b>	<b>Commitments</b>	<b>Payments</b>
<b>Environment</b>					
Water and sewerage	0	0	0	0	0
Water and wastewater incl. treatment	1	52,405,660	35,111,792	35,111,792	2,777,500
Solid waste management	0	0	0	0	0
Air quality	0	0	0	0	0
Horizontal	0	0	0	0	0
<b>Sector total</b>	<b>1</b>	<b>52,405,660</b>	<b>35,111,792</b>	<b>35,111,792</b>	<b>2,777,500</b>
<b>Transport</b>					
Road	0	0	0	0	0
Rail	0	0	0	0	0
Road & Rail	0	0	0	0	0
Inland Waterways	1	37,700,820	18,850,410	18,850,410	0
Airports	0	0	0	0	0
Horizontal	0	0	0	0	0
<b>Sector total</b>	<b>1</b>	<b>37,700,820</b>	<b>18,850,410</b>	<b>18,850,410</b>	<b>0</b>
<b>Horizontal</b>					
Technical assistance	1	50,000	50,000	50,000	0
<b>TOTAL</b>	<b>3</b>	<b>90,156,480</b>	<b>54,012,202</b>	<b>54,012,202</b>	<b>2,777,500</b>

**Table 19: Projects decided 2000-2006 Romania – in Euro**

Sub-sector	N° of projects	Eligible cost	ISPA contribution	2006		2000 – 2006	
				Commitments	Payments	Commitments	Payments
<b>Environment</b>							
Water and sewerage	23	943,239,298	688,148,902	124,598,229	50,961,514	688,148,902	186,745,920
Water/wastewater including treatment	4	159,855,800	119,891,850	28,954,185	0	119,891,850	23,391,670
WWTP	2	117,980,000	77,655,000	11,285,250	0	77,655,000	9,776,843
Solid waste	7	143,319,100	107,489,325	17,220,000	10,157,350	107,489,325	19,707,715
Air quality	-	-	-	-	-	-	-
Horizontal for sector	5	50,060,000	33,427,500	6,941,000	4,642,005	33,427,500	12,121,829
<b>Sector total</b>	<b>41</b>	<b>1,414,454,198</b>	<b>1,026,612,577</b>	<b>188,998,664</b>	<b>65,760,869</b>	<b>1,026,612,577</b>	<b>251,743,977</b>
<b>Transport</b>							
Road	7	642,942,993	477,468,920	76,159,032	29,295,222	477,468,920	155,539,935
Rail	2	508,458,358	381,343,769	44,884,299	41,473,301	381,343,769	71,751,572
Road & rail	2	105,700,000	85,050,000	35,332,500	8,505,000	85,050,000	8,505,000
Inland waterways	1	37,700,820	18,850,410	18,850,410	0	18,850,410	0
Airports	-	-	-	-	-	-	-
Horizontal for sector	8	64,061,560	52,786,620	13,609,590	10,083,165	52,786,620	12,254,790
<b>Sector total</b>	<b>20</b>	<b>1,358,863,731</b>	<b>1,015,499,719</b>	<b>188,835,831</b>	<b>52,030,688</b>	<b>1,015,499,719</b>	<b>248,051,297</b>
<b>Horizontal</b>							
Technical assistance	2	639,753	639,753	50,000	106,903	639,753	578,704
<b>TOTAL</b>	<b>63</b>	<b>2,773,957,682</b>	<b>2,042,752,049</b>	<b>377,884,495</b>	<b>117,898,459</b>	<b>2,042,752,049</b>	<b>500,373,978</b>

**Table 20: Technical assistance measures 2000-2006 Romania – in Euro**

Sub-sector	N° of projects	Eligible cost	ISPA contribution	2006		2000 – 2006	
				Commitments	Payments	Commitments	Payments
<b>Environment</b>							
Sector total	5	50.060.000	33.427.500	6.941.000	4.642.005	33.427.500	12.121.829
<b>Transport</b>							
Sector total	8	64.061.560	52.786.620	13.609.590	10.083.165	52.786.620	12.254.790
<b>Horizontal</b>							
Sector total	2	639.753	639.753	50.000	106.903	639.753	578.704
<b>TOTAL</b>	<b>15</b>	<b>114.761.313</b>	<b>86.853.873</b>	<b>20.600.590</b>	<b>14.832.073</b>	<b>86.853.873</b>	<b>24.955.323</b>



## 22. CROATIA

In 2006, Croatia received a total ISPA allocation of €34.4 million. This amount was divided between the transport and environment sectors - €16,971,310 and €17,166,355 respectively, with a further €262,335 being allocated to horizontal technical assistance. This means that the total allocation of ISPA funds for the 2005-2006 period has been fully committed.

### **Programming**

A total of 4 projects were approved in 2006 for implementation in Croatia. Two of the projects were for the environment sector, one for the transport sector and one horizontal technical assistance project.

The first of the two environmental projects aims to tackle the problems related to the disposal of domestic refuse in the coastal region of Croatia. The first stage of the project (it is hoped that the second stage will be funded through IPA) involves the construction of a Regional Waste Management Centre (RWMC) in Bikarac for the environmentally friendly disposal of municipal waste, the closure and remediation of two existing municipal waste tips, as well as the introduction of a pilot scheme for the reduction and recycling of waste in the Šibenik-Knin region. The completion of this stage of the project will result in the reduction of waste being sent for landfill, the elimination of pollution from 2 existing closed landfills and the introduction of limited recycling measures in the Šibenik-Knin region. The future second stage of the project will involve the closure of all the other remaining landfills in the county, provide additional equipment for recycling purposes at the RWMC and expand the amount of material being recycled to cover the entire county area.

The second environmental project aims to prepare a number of projects in the solid waste, water and wastewater sectors for implementation under IPA from the beginning of 2008 in order that Croatia will be able to fully absorb the funds it has been allocated.

A single project was approved in 2006 for the transport sector in Croatia. The project is for the preparation of a pipeline of railway projects for implementation under IPA from 2008, together with the IPA applications. This project is aimed to enable Croatia to be able to fully absorb the funds it has been allocated.

The final project approved in 2006 for implementation in Croatia is a horizontal technical assistance project designed to assist the Croatian central authorities in the monitoring and implementation of ISPA projects.

### **Implementation**

No physical implementation of projects had started in Croatia by the end of 2006. All 6 ISPA projects were approved either at the end of 2005, or during the second quarter of 2006, and in the context of other former ISPA beneficiary countries, this situation is not unusual. Nevertheless, during the first ISPA Monitoring Committee meeting held in Zagreb on 25<sup>th</sup> October the Commission voiced its concerns at the slow pace of implementation and an apparent lack of capacity within the Central

Finance and Contracting Unit (CFCU) – the ISPA Implementing Agency. It is expected that the first 2 ISPA service tenders are due to be announced in January 2007.

By the end of 2006 a total of just over €6.0 million had been made in payments to Croatia. These payments represent exclusively the first advance payment to all 6 measures since no contracts have yet been signed.

### **Procurement**

No procurement has taken place in 2006 in Croatia.

### **Co-financing with IFIs**

No projects were co-financed by IFIs in Croatia in 2006. One environmental project approved in 2005 is co-financed by a loan from the EBRD – the Karlovac Water and Wastewater Treatment Programme.

### **Monitoring and Evaluation**

The first formal ISPA Monitoring Committee in Croatia was held on 25<sup>th</sup> October 2006. The main issues arising from the meeting of the Committee concerned the delay in preparing and processing tender documents, as well as the lack of tender announcements. The slow start in project implementation is a result of an inadequate number of experienced staff in Croatian implementing institutions able to prepare technical documentation for international tenders. However, this situation is not peculiar to Croatia and has been experienced in most other ISPA beneficiary countries. The Commission urged that the Croatian authorities make more use of the technical assistance available to reinforce administrative capacity and assist in project implementation. The Commission has continued to closely monitor the project implementation situation through the preparation of regular ISPA reports prepared by the EC Delegation in Zagreb.

### **DIS**

The requirement for the DIS accreditation of the ISPA Implementing Agency in Croatia, the CFCU (Central Financing and Contracting Unit), follows the stipulations of Article 164 of the Financial Regulation. DIS accreditation was awarded by the Commission on 13<sup>th</sup> February 2006. The original decision to grant DIS accreditation was accompanied by a list of items (the most significant being related to inadequate numbers and the lack of retention of ISPA staff) that required further attention by the Croats, but were not considered to be of such a serious nature as to block accreditation. Therefore since the award of DIS the Commission has closely monitored the responsible institutions for the effective and correct processing of ISPA documentation, as well as to see if the list of items mentioned had been correctly dealt with. Unfortunately the issues of the inadequate number and high turnover of staff in the Croatian institutions responsible for implementing ISPA continued to exist and this threatened the implementation of ISPA projects. As a result the Commission wrote to the Croatian authorities in October 2006 threatening to suspend DIS accreditation if no immediate action was taken to address the issues highlighted. The Croatian authorities responded by transferring staff from other

ministries to the CFCU on a temporary basis and to speed up the recruitment of additional staff. They also introduced a range of additional incentives to encourage the retention of existing staff within the CFCU as well as to attract additional staff.

### Lessons learned

- Croatia's relatively late introduction to ISPA has presented a number of challenges which the country has had to deal with in a very short period of time. Early indications were hopeful since all three infrastructure projects submitted by Croatia were approved following their presentation to the ISPA Management Committee. The Croatian authorities dealing with ISPA contain many competent and well qualified individuals for the tasks to be undertaken. Nevertheless it has to be said that their lack of experience in dealing with EU funds and in preparing infrastructure projects for implementation is clearly evident. The main problems that have been experienced are as follows:
- **Inappropriate and over-complicated implementation procedures.** In the Commission's efforts to enable DIS accreditation as soon as possible (which is a pre-condition for the implementation of ISPA projects) the CFCU was given responsibility for acting as ISPA implementing agency as well as contracting authority for each ISPA project.
- **Lack of suitably experienced people working in the CFCU.** The lack of suitably experienced individuals within the CFCU has had a critical impact on the timely implementation of projects. The lack of such people is caused by the unattractive salaries and general working conditions offered by the Ministry of Finance, within which the CFCU operates. This has resulted in a very high turnover of staff, the overburdening and demoralisation of the remaining staff, and a very inefficient and slow documentation approval process. The staff retention problem was highlighted in the DIS accreditation decision as needing further urgent work. However, despite many initiatives including the provision of technical assistance, the CFCU continues to have very weak capacity and this has severely affected the pace of project implementation
- **Over-dependence on technical assistance.** The lack of capacity not just in the CFCU, but in other government agencies and departments dealing with ISPA projects, has resulted in a situation where the Croats rely excessively on support from technical assistance measures. Whilst it is true that the necessary work is carried out using this technical assistance (i.e. project preparation) there is little residual value i.e. transfer of knowledge to Croatian institutions, due to the fact that the relevant bodies often do not have staff available to work alongside the experts;
- **Strengthening of the project pipeline for ISPA.** The late introduction of Croatia to ISPA in the context of its conclusion in 2006 resulted in an urgency to identify and accept suitable projects for funding as quickly as possible. Three infrastructure projects were subsequently identified and accepted. However, it has to be noted that there were no reserve or alternative projects ready for implementation at that time. This has resulted in complications during the preparation of the tender and technical documentation which in turn has severely delayed project implementation. It is important therefore that the Croatian

authorities quickly build up a team capable of identifying and preparing suitable projects for EU funding if the available funds to Croatia are to be fully utilised. Capacity building in this field will be a critical factor for the efficient dispersal of the future IPA funds.

**Table 21: ISPA projects decided in 2006 - Croatia - in Euro**

Sub-sector	N° of projects	Eligible cost	ISPA contribution	Commitments	Payments
<b>Environment</b>					
Solid waste	1	8,823,601	6,000,049	6,000,049	600,005
Horizontal for sector	1	1,464,100	966,306	966,306	193,261
<b>Transport</b>					
Horizontal for sector	1	741,738	482,130	482,130	96,426
<b>Horizontal</b>					
Technical assistance	1	262,335	262,335	262,335	52,467
<b>TOTAL</b>	<b>4</b>	<b>11,291,774</b>	<b>7,710,820</b>	<b>7,710,820</b>	<b>942,153</b>

**Table 22: Projects decided 2005-2006 Croatia – in Euro**

Sub-sector	N° of projects	Eligible cost	ISPA contribution	2006		2005 – 2006	
				Commitments	Payments	Commitments	Payments
<b>Environment</b>							
Water/wastewater including treatment	1	36,000,000	22,500,000	10,200,000	2,250,000	22,500,000	2,250,000
Solid waste	1	8,823,601	6,000,049	6,000,049	600,005	6,000,049	600,005
Horizontal for sector	1	1,464,100	966,306	966,306	193,261	966,306	193,261
<b>Sector total</b>	<b>3</b>	<b>46,287,701</b>	<b>29,466,355</b>	<b>17,166,355</b>	<b>3,043,266</b>	<b>29,466,355</b>	<b>3,043,266</b>
<b>Transport</b>							
Rail	1	75,761,000	28,789,180	16,489,180	2,878,918	28,789,180	2,878,918
Horizontal for sector	1	741,738	482,130	482,130	96,426	482,130	96,426
<b>Sector total</b>	<b>2</b>	<b>76,502,738</b>	<b>29,271,310</b>	<b>16,971,310</b>	<b>2,975,344</b>	<b>29,271,310</b>	<b>2,975,344</b>
<b>Horizontal</b>							
Support to the NIC & CFCU	1	262,335	262,335	262,335	52,467	262,335	52,467
<b>TOTAL</b>	<b>6</b>	<b>123,052,774</b>	<b>59,000,000</b>	<b>34,400,000</b>	<b>6,071,077</b>	<b>59,000,000</b>	<b>6,071,077</b>

**Table 23: Technical assistance measures 2005-2006 Croatia – in Euro**

Sub-sector	N° of projects	Eligible cost	ISPA contribution	2006		2005 – 2006	
				Commitments	Payments	Commitments	Payments
<b>Environment</b>							
Horizontal for sector	1	1,464,100	966,306	966,306	193,261	966,306	193,261
<b>Sector total</b>	<b>1</b>	<b>1,464,100</b>	<b>966,306</b>	<b>966,306</b>	<b>193,261</b>	<b>966,306</b>	<b>193,261</b>
<b>Transport</b>							
Rail	1	741,738	482,130	482,130	96,426	482,130	96,426
<b>Sector total</b>	<b>1</b>	<b>741,738</b>	<b>482,130</b>	<b>482,130</b>	<b>96,426</b>	<b>482,130</b>	<b>96,426</b>
<b>Horizontal</b>							
Support to the NIC & CFCU	1	262,335	262,335	262,335	52,467	262,335	52,467
<b>TOTAL</b>	<b>3</b>	<b>2,468,173</b>	<b>1,710,771</b>	<b>1,710,771</b>	<b>342,154</b>	<b>1,710,771</b>	<b>342,154</b>

## **List of abbreviations**

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

Documentation Centre:

The European Commission  
DG Regional Policy  
Tervurenlaan 41, B-1040 Brussels  
Tel: + 32.2.2960634  
Fax: + 32.2.2966003  
E-mail: [regio-info@cec.eu.int](mailto:regio-info@cec.eu.int)

European Union website:

[www.europa.eu.int](http://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](http://europa.eu.int/comm/environment/index_en.htm)

DG Transport and Energy website

[http://europa.eu.int/comm/transport/index\\_en.html](http://europa.eu.int/comm/transport/index_en.html)

The EBRD website:

[www.ebrd.com](http://www.ebrd.com)

The EIB website:

[www.eib.org](http://www.eib.org)

The KfW website:

[www.kfw.de](http://www.kfw.de)



## ISPA PROJECT DATA TABLE

Sub-sector	Reference Number	No.	Project	Total cost	Eligible cost	ISPA grant	2006		2000-2006		% Grant
							Committed	Paid	Committed	Paid	
<b>ENVIRONMENT</b>											
<b>Water and sewerage</b>											
	2000RO16PPE008	1	Cluj: rehabilitation and modernisation of water supply and sewerage system for this area	61,178,813.00	46,755,800.00	35,066,850.00	3,506,685.00	0.00	35,066,850.00	14,909,169.66	75.00
	2004RO16PPE001	1	Botosani Rehabilitation and Modernisation of the Water System	42,980,000.00	42,500,000.00	31,875,000.00	9,562,500.00	0.00	31,875,000.00	3,187,500.00	75.00
	2004RO16PPE002	1	Ramnicu Valcea Rehabilitation of the Water System	29,105,000.00	29,000,000.00	21,750,000.00	6,525,000.00	0.00	21,750,000.00	2,175,000.00	75.00
	2004RO16PPE008	1	Rehabilitation and extension of the water supply and sewerage system in the City of Drobeta	41,600,000.00	41,600,000.00	31,200,000.00	9,360,000.00	0.00	31,200,000.00	3,120,000.00	75.00
	<b>Sub-total</b>	<b>4</b>		<b>174,863,813.00</b>	<b>159,855,800.00</b>	<b>119,891,850.00</b>	<b>28,954,185.00</b>	<b>0.00</b>	<b>119,891,850.00</b>	<b>23,391,669.66</b>	<b>75.00</b>
<b>Water and wastewater including treatment</b>											
	2000RO16PPE002	1	Craiova city, rehabilitation of sewerage network and wastewater treatment facilities to protect the River Danube	70,578,000.00	70,378,000.00	52,783,500.00	5,278,350.00	0.00	52,783,500.00	14,451,630.32	75.00
	2000RO16PPE003	1	Constanta sewerage and wastewater treatment rehabilitation	86,877,177.00	77,245,323.00	57,933,992.00	0.00	0.00	57,933,992.00	36,622,816.32	75.00

2000RO16PPE004	1	Timisoara: Rehabilitation of wastewater treatment technology, drinking water supply and sewerage improvements for the population	46,863,012.00	45,363,012.00	32,207,739.00	1,484,619.00	4,985,378.49	32,207,739.00	11,812,738.49	71.00
2000RO16PPE005	1	Pascani: Upgrading the water and wastewater system	19,053,680.00	19,053,680.00	14,290,260.00	2,093,760.00	0.00	14,290,260.00	2,439,300.00	75.00
2000RO16PPE006	1	Iasi: Upgrading the water and wastewater system	46,562,200.00	46,240,200.00	34,680,150.00	0.00	0.00	34,680,150.00	14,374,984.90	75.00
2000RO16PPE007	1	Brasov: Treatment of drinking water and wastewater and neighbouring localities	61,441,709.00	52,837,762.00	37,514,811.00	0.00	7,143,091.38	37,514,811.00	19,257,504.61	71.00
2000RO16PPE010	1	Municipality Braila: Integrated Sewerage Development and Wastewater Treatment Project	50,029,400.00	49,104,400.00	36,828,300.00	4,490,805.00	4,738,677.93	36,828,300.00	13,720,287.93	75.00
2000RO16PPE011	1	Arad City: Rehabilitation of sewerage network and provision of wastewater treatment facilities in order to protect the River Mures	16,374,644.00	16,374,644.00	12,280,983.00	130,983.00	365,562.45	12,280,983.00	6,308,518.72	75.00
2001RO16PPE012	1	Focsani City: Rehabilitation of the sewerage network and wastewater treatment plant	15,876,500.00	15,876,500.00	11,748,610.00	2,349,722.00	0.00	11,748,610.00	4,846,587.92	74.00
2001RO16PPE013	1	Oradea: Rehabilitation of the sewerage network and wastewater treatment plant	22,159,622.00	22,084,622.00	15,459,235.00	0.00	3,705,711.56	15,459,235.00	7,052,551.56	70.00

2001RO16PPE015	1	Rehabilitation of the drinking water supply and waste water collection and treatment for the City of Targu Mures	27,949,400.00	27,909,400.00	20,932,050.00	2,093,205.00	2,410,624.05	20,932,050.00	6,597,034.05	75.00
2002RO16PPE018	1	Bacau : Rehabilitation of the sewerage network and waste water treatment plant	52,006,000.00	52,006,000.00	39,004,500.00	3,900,450.00	3,900,450.00	39,004,500.00	7,800,900.00	75.00
2002RO16PPE019	1	Satu Mare : Improvements to water supply and waste water collection and treatment systems	37,355,000.00	37,355,000.00	26,522,050.00	2,652,205.00	2,652,205.00	26,522,050.00	5,304,410.00	71.00
2002RO16PPE021	1	Buzau: Rehabilitation of the waste water treatment plant, sewerage system and distribution network	36,295,626.00	35,433,550.00	26,220,827.00	2,622,083.00	2,622,083.00	26,220,827.00	5,244,165.00	74.00
2002RO16PPE022	1	Sibiu : Modernisation of the water supply and sewerage system	37,678,000.00	37,588,000.00	25,559,840.00	2,555,984.00	2,555,984.00	25,559,840.00	5,111,968.00	68.00
2002RO16PPE023	1	Piatra Neamt : Improvement of water supply system, sewerage and waste water treatment	28,903,461.00	28,594,545.00	21,159,963.00	2,115,996.00	2,115,996.00	21,159,963.00	4,231,992.00	74.00
2003RO16PPE025	1	Bistrita Catchment Areas: Rehabilitation and extension of the water supply and sewerage system	22,650,000.00	22,500,000.00	16,875,000.00	3,375,000.00	0.00	16,875,000.00	1,687,500.00	75.00
2003RO16PPE026	1	Pitesti: Rehabilitation of the waste water treatment plant, sewerage network and water supply system	42,125,000.00	41,750,000.00	31,312,500.00	3,131,250.00	0.00	31,312,500.00	3,131,250.00	75.00
2004RO16PPE004	1	Baia Mare rehabilitation and modernisation of water and sewerage public	45,692,000.00	42,629,000.00	29,840,300.00	8,752,090.00	0.00	29,840,300.00	2,984,030.00	70.00

		services									
2004RO16PPE005	1	Galati upgrading of Water and Sewerage Networks- Construction of a new Wastewater	60,400,000.00	60,000,000.00	42,000,000.00	12,600,000.00	4,200,000.00	42,000,000.00	4,200,000.00	70.00	
2005RO16PPE002	1	Rehabilitation and Upgrading of the Water and Wastewater System in Deva and Hunedoara	50,720,000.00	45,920,000.00	34,440,000.00	10,332,000.00	3,444,000.00	34,440,000.00	3,444,000.00	75.00	
2005RO16PPE003	1	Improvement of Water Distribution, Sewage and Wastewater Treatment in Caras-Severin County	52,733,660.00	52,405,660.00	35,111,792.00	35,111,792.00	2,777,500.00	35,111,792.00	2,777,500.00	67.00	
2005RO16PPE004	1	Rehabilitation and upgrading of the water supply and wastewater systems in Suceava	46,990,000.00	44,590,000.00	33,442,500.00	19,527,935.00	3,344,250.00	33,442,500.00	3,344,250.00	75.00	
2002BG16PPE016	1	Asparuhovo : Waste water treatment plant	25,616,841.00	25,432,000.00	19,074,000.00	1,907,400.00	0.00	19,074,000.00	1,907,400.00	75.00	
2005BG16PPE001	1	Integrated Water Project for the Town of Sliven	22,160,000.00	21,200,000.00	15,900,000.00	3,180,000.00	1,590,000.00	15,900,000.00	1,590,000.00	75.00	
2005BG16PPE003	1	Integrated Water Project Bourgas	21,090,000.00	21,000,000.00	10,080,000.00	2,016,000.00	1,008,000.00	10,080,000.00	1,008,000.00	48.00	
2005BG16PPE004	1	Integrated Water Project - Town of Rousse	46,890,000.00	46,800,000.00	35,100,000.00	10,530,000.00	3,510,000.00	35,100,000.00	3,510,000.00	75.00	
2005BG16PPE006	1	Integrated Water Project - Town of Kustendil	21,200,000.00	21,200,000.00	15,900,000.00	6,360,000.00	1,590,000.00	15,900,000.00	1,590,000.00	75.00	
2005HR16PPE001	1	Karlovac Water and Wastewater Programme	36,510,000.00	36,000,000.00	22,500,000.00	10,200,000.00	2,250,000.00	22,500,000.00	2,250,000.00	62.50	
<b>Sub-total</b>	<b>29</b>		<b>1,150,780,932.00</b>	<b>1,114,871,298.00</b>	<b>806,702,902.00</b>	<b>158,791,629.00</b>	<b>60,909,513.86</b>	<b>806,702,902.00</b>	<b>198,601,319.82</b>	<b>72.36</b>	
							<b>2006</b>		<b>2000-2006</b>		
<b>Sub-sector</b>	<b>Reference Number</b>	<b>No.</b>	<b>Project</b>	<b>Total cost</b>	<b>Eligible cost</b>	<b>ISPA grant</b>	<b>Committed</b>	<b>Paid</b>	<b>Committed</b>	<b>Paid</b>	<b>%</b>

											Grant
Wastewater treatment plant											
2000RO16PPE009	1	Danutoni: Wastewater Treatment Plant (Valea Jiului)	9,680,000.00	9,680,000.00	7,260,000.00	726,000.00	0.00	7,260,000.00	2,737,342.85	75.00	
2004RO16PPE003	1	Bucharest Wastewater Treatment Plant Rehabilitation - Stage I	108,300,000.00	108,300,000.00	70,395,000.00	10,559,250.00	0.00	70,395,000.00	7,039,500.00	65.00	
2000BG16PPE001	1	Rehabilitation , upgrade/extension of the Sofia wastewater treatment plant water line	58,500,000.00	58,500,000.00	43,875,000.00	18,452,148.00	4,387,500.00	43,875,000.00	4,387,500.00	75.00	
2000BG16PPE003	1	Construction of Wastewater Treatment Plants for Stara Zagora, Haskovo and Dimitrovgrad	43,399,688.00	43,399,688.00	32,549,766.00	3,254,977.00	1,857,201.92	32,549,766.00	9,829,926.35	75;00	
2001BG16PPE005	1	Waste water treatment plant Gorna Oriahovitza, Liaskovetz, Dolna Oriahovitza	15,105,551.00	14,970,551.00	11,227,913.00	0.00	2,460,928.50	11,227,913.00	8,917,353.08	75.00	
2001BG16PPE006	1	Waste water treatment plant Pazardjik	17,556,871.00	17,199,871.00	11,179,916.00	0.00	0.00	11,179,916.00	4,091,984.58	65.00	
2001BG16PPE008	1	Waste water treatment plant Blagoevgrad	11,602,419.00	11,322,419.00	7,925,693.00	0.00	1,547,021.27	7,925,693.00	3,509,584.19	70.00	
2002BG16PPE009	1	Waste water treatment plant Bourgas - Meden Rudnik	10,421,061.00	10,206,220.00	7,654,665.00	765,466.00	0.00	7,654,665.00	765,467.00	75.00	
2002BG16PPE010	1	Waste water treatment plant Targovishte	15,450,756.00	15,235,915.00	11,426,936.00	1,142,694.00	0.00	11,426,936.00	1,142,694.00	75.00	
2002BG16PPE011	1	Waste water treatment plant – Lovech	18,020,164.00	17,811,576.00	13,358,682.00	940,994.00	0.00	13,358,682.00	1,379,743.00	75.00	
2002BG16PPE012	1	Waste water treatment plant – Montana	15,271,701.00	15,067,113.00	11,300,335.00	0.00	0.00	11,300,335.00	1,255,593.00	75.00	
2002BG16PPE013	1	Waste water treatment plant – Smolian	24,621,022.00	24,471,022.00	18,353,266.00	1,835,327.00	0.00	18,353,266.00	1,835,327.00	75.00	

	2002BG16PPE014	1	Waste water treatment plant – Sevlievo	14,166,211.00	13,987,623.00	10,490,717.00	1,049,071.00	0.00	10,490,717.00	1,049,072.00	75.00
	2002BG16PPE015	1	Waste water treatment plant – Popovo	12,039,261.00	11,860,433.00	8,895,326.00	889,532.00	0.00	8,895,326.00	889,533.00	75.00
	2002BG16PPE017	1	Balchik : Waste water treatment plant	21,889,225.00	21,589,225.00	16,191,919.00	1,619,192.00	0.00	16,191,919.00	1,619,192.00	75.00
	2002BG16PPE018	1	Shumen : Waste water treatment plant	30,315,000.00	30,130,000.00	22,597,500.00	3,096,293.00	0.00	22,597,500.00	2,259,750.00	75.00
	<b>Sub-total</b>	<b>16</b>		<b>426,338,930.00</b>	<b>423,731,656.00</b>	<b>304,682,634.00</b>	<b>44,330,944.00</b>	<b>10,252,651.69</b>	<b>304,682,634.00</b>	<b>52,709,562.05</b>	<b>71.90</b>
							<b>2006</b>		<b>2000-2006</b>		
<b>Sub-sector</b>	<b>Reference Number</b>	<b>No.</b>	<b>Project</b>	<b>Total cost</b>	<b>Eligible cost</b>	<b>ISPA grant</b>	<b>Committed</b>	<b>Paid</b>	<b>Committed</b>	<b>Paid</b>	<b>% Grant</b>
<b>Solid waste</b>											
	2000RO16PPE001	1	Piatra-Neamt Waste Management Programme	14,575,000.00	13,846,000.00	10,384,500.00	0.00	3,991,967.27	10,384,500.00	6,068,867.27	75.00
	2001RO16PPE014	1	Integrated municipal waste management in Ramnicu Valcea	20,959,726.00	14,673,100.00	11,004,825.00	0.00	1,222,433.21	11,004,825.00	3,423,398.21	75.00
	2001RO16PPE017	1	Dambovit County: Rehabilitation of solid waste collection, transportation, treatment and landfill	26,054,000.00	25,894,000.00	19,420,500.00	3,884,100.00	0.00	19,420,500.00	1,942,050.00	75.00
	2002RO16PPE024	1	Intgrated waste management system in Teleorman Country	21,514,000.00	21,406,000.00	16,054,500.00	3,210,900.00	1,605,450.00	16,054,500.00	3,210,900.00	75.00
	2003RO16PPE027	1	Integrated Waste Management System in Galati and Surroundings	23,749,000.00	23,000,000.00	17,250,000.00	3,450,000.00	0.00	17,250,000.00	1,725,000.00	75.00
	2004RO16PPE007	1	Regional Waste Landfill in Bacau	20,500,000.00	20,000,000.00	15,000,000.00	3,000,000.00	1,500,000.00	15,000,000.00	1,500,000.00	75.00
	2005RO16PPE001	1	Integrated Management of Solid Waste and Sludge from WWTP in Arges County	24,500,000.00	24,500,000.00	18,375,000.00	3,675,000.00	1,837,500.00	18,375,000.00	1,837,500.00	75.00

	2000BG16PPE002	1	Set of 6 Regional Waste Disposal Sites (Montana, Ruse, Pernik, Sevlievo, Silistra, Sozopol)	56,718,085.00	54,519,761.00	40,889,821.00	0.00	0.00	40,889,821.00	23,902,501.18	75.00
	2003BG16PPE019	1	Kardjali: Regional Waste Management Center	14,547,162.00	14,547,162.00	10,910,372.00	2,182,075.00	0.00	10,910,372.00	1,091,037.00	75.00
	2005HR16PPE003	1	Bikarac Regional Waste Management Centre	11,762,241.00	8,823,601.00	6,000,049.00	6,000,049.00	600,005.00	6,000,049.00	600,005.00	68.00
	<b>Sub-total</b>	<b>10</b>		<b>234,879,214.00</b>	<b>221,209,624.00</b>	<b>165,289,567.00</b>	<b>25,402,124.00</b>	<b>10,757,355.48</b>	<b>165,289,567.00</b>	<b>45,301,258.66</b>	<b>74.72</b>
							<b>2006</b>		<b>2000-2006</b>		
<b>Sub-sector</b>	<b>Reference Number</b>	<b>No.</b>	<b>Project</b>	<b>Total cost</b>	<b>Eligible cost</b>	<b>ISPA grant</b>	<b>Committed</b>	<b>Paid</b>	<b>Committed</b>	<b>Paid</b>	<b>% Grant</b>
<b>Air quality</b>											
	2001BG16PPE004	1	Maritsa East 2 TPP-EAD- Construction of flue gas desulphurisation plants for Units 5 & 6	75,000,000.00	72,330,000.00	36,165,000.00	3,616,500.00	0.00	36,165,000.00	3,616,500.00	50.00
							<b>2006</b>		<b>2000-2006</b>		
<b>Sub-sector</b>	<b>Reference Number</b>	<b>No.</b>	<b>Project</b>	<b>Total cost</b>	<b>Eligible cost</b>	<b>ISPA grant</b>	<b>Committed</b>	<b>Paid</b>	<b>Committed</b>	<b>Paid</b>	<b>% Grant</b>
<b>Horizontal - environment related</b>											
	2000RO16PPA001	1	Technical assistance for the completion and upgrading of the Bucharest wastewater treatment plant	1,810,000.00	1,810,000.00	1,357,500.00	271,500.00	153,004.64	1,357,500.00	743,828.81	75.00
	2001RO16PPA003	1	Technical Assistance for completion and upgrading the water management facilities in Baia Mare Municipality	3,500,000.00	3,500,000.00	2,625,000.00	525,000.00	0.00	2,625,000.00	2,100,000.00	75.00

2003RO16PPA012	1	Technical assistance for institutional capacity strengthening of ISPA projects in the field of water management	7,000,000.00	7,000,000.00	7,000,000.00	1,400,000.00	0.00	7,000,000.00	2,800,000.00	100.00	
2003RO16PPA013	1	Technical assistance for a project preparation in the environment sector	12,750,000.00	12,750,000.00	9,945,000.00	994,500.00	1,989,000.00	9,945,000.00	3,978,000.00	78.00	
2005RO16PPA001	1	Technical assistance for project preparation in the environmental sector in Romania	25,000,000.00	25,000,000.00	12,500,000.00	3,750,000.00	2,500,000.00	12,500,000.00	2,500,000.00	50.00	
2002BG16PPA002	1	Technical Assistance for the preparation of a water sector investment project for the Municipality of Sofia	1.500.000,00	1.500.000,00	1.125.000,00	0,00	57.980,81	1.125.000,00	597.472,31	75.00	
2003BG16PPA004	1	Technical Assistance for institutional strengthening of the Ministry of Environment and Water for the ISPA pipeline management	16,151,500.00	15,921,000.00	12,896,000.00	1,289,600.00	515,956.76	12,896,000.00	6,039,354.91	81.00	
2006BG16PPA001	1	TA for the preparation of CF/SF projects in Water and Solid Waste	18,846,748.00	18,846,748.00	16,019,736.00	16,019,736.00	0.00	16,019,736.00	0.00	85.00	
2005HR16PPA003	1	TA for IPA environment project pipeline preparation and strategy	1,464,100.00	1,464,100.00	966,306.00	966,306.00	193,261.00	966,306.00	193,261.00	66.00	
<b>Sub-total</b>	<b>9</b>		<b>88,022,348.00</b>	<b>87,791,848.00</b>	<b>64,434,542.00</b>	<b>25,216,642.00</b>	<b>5,409,203.21</b>	<b>64,434,542.00</b>	<b>18,951,917.03</b>	<b>73.39</b>	
<b>Total Environment</b>	<b>69</b>		<b>2,149,885,237.00</b>	<b>2,079,790,226.00</b>	<b>1,497,166,495.00</b>	<b>286,312,024.00</b>	<b>87,328,724.24</b>	<b>1,497,166,495.00</b>	<b>342,572,227.22</b>	<b>71.99</b>	
<b>TRANSPORT</b>											
<b>Sub-sector</b>	<b>Reference Number</b>	<b>No.</b>	<b>Project</b>	<b>Total cost</b>	<b>Eligible cost</b>	<b>ISPA grant</b>	<b>2006</b>		<b>2000-2006</b>		<b>% Grant</b>
							<b>Committed</b>	<b>Paid</b>	<b>Committed</b>	<b>Paid</b>	



Road											
Sub-sector	Reference Number	No.	Project	Total cost	Eligible cost	ISPA grant	Committed	Paid	Committed	Paid	% Grant
	2000RO16PPT002	1	Widening to 4 lanes of the National road n° 5 Bucharest-Giurgiu	61,315,161.00	52,648,050.00	34,747,713.00	17.00	4,092,649.38	34,747,713.00	20,387,527.10	66.00
	2000RO16PPT003	1	Construction of the Bucharest-Cernavoda motorway	124,216,000.00	95,616,000.00	71,712,000.00	22,340,000.00	11,378,940.43	71,712,000.00	38,307,626.97	75.00
	2000RO16PPT004	1	Rehabilitation of national Rd. DN6-Section Craiova-Drobeta Turnu Severin	120,199,358.00	93,442,503.00	70,081,877.00	2,811,877.00	12,042,382.55	70,081,877.00	48,910,155.66	75.00
	2001RO16PPT005	1	Construction of the Sibiu Motorway By-Pass	80,527,650.00	70,261,600.00	52,696,200.00	10,966,200.00	0.00	52,696,200.00	20,978,763.25	75.00
	2001RO16PPT006	1	Rehabilitation of section Drobeta Turnu Severin-Lugoj on the DN 6 road	169,806,229.00	155,578,840.00	116,684,130.00	12,584,130.00	0.00	116,684,130.00	13,801,162.00	75.00
	2004RO16PPT008	1	Construction of the Deva-Orastie Motorway By-pass in Romania	184,685,109.00	151,646,000.00	113,734,500.00	18,166,198.00	0.00	113,734,500.00	11,373,450.00	75.00
	2005RO16PPT001	1	Lugoj By-pass	26,510,000.00	23,750,000.00	17,812,500.00	9,290,610.00	1,781,250.00	17,812,500.00	1,781,250.00	75.00
	2000BG16PPT001	1	Transit roads rehabilitation Project III in Bulgaria	38,500,000.00	38,500,000.00	28,875,000.00	1,875,000.00	7,080,105.15	28,875,000.00	25,987,500.00	75.00
	2001BG16PPT004	1	Construction of Liulin Motorway, Sofia Ring Road - Daskalovo Road junction	148,450,000.00	148,450,000.00	111,337,500.00	22,267,500.00	11,133,750.00	111,337,500.00	22,267,500.00	75.00
	<b>Sub-total</b>	<b>9</b>		<b>954,209,507.00</b>	<b>829,892,993.00</b>	<b>617,681,420.00</b>	<b>100,301,532.00</b>	<b>47,509,077.51</b>	<b>617,681,420.00</b>	<b>203,794,934.98</b>	<b>74.43</b>
							<b>2006</b>		<b>2000-2006</b>		
Sub-sector	Reference Number	No.	Project	Total cost	Eligible cost	ISPA grant	Committed	Paid	Committed	Paid	% Grant
Rail											
	2000RO16PPT001	1	Rehabilitation of the section Bucharest-Baneasa-Fetesti of the Bucharest-Constanta railway line	322,528,168.00	308,972,588.00	231,729,441.00	0.00	4,147,300.53	231,729,441.00	56,790,139.90	75.00

	2003RO16PPT007	1	Rehabilitation of the railway section Campina-Predeal on the Bucharest-Brasov railway line	214,979,400.00	199,485,770.00	149,614,328.00	44,884,299.00	0.00	149,614,328.00	14,961,432.00	75.00
	2001BG16PPT003	1	Plovdiv-Svilengrad-electrification & upgrading of Corridors IV & X	340,000,000.00	340,000,000.00	153,000,000.00	33,862,500.00	5,353,238.07	153,000,000.00	35,953,238.07	45.00
	2005HR16PPT001	1	Vinkovci to Tovarnik to State Border Railway Rehabilitation	90,913,000.00	75,761,000.00	28,789,180.00	16,489,180.00	2,878,918.00	28,789,180.00	2,878,918.00	38.00
	<b>Sub-total</b>	<b>4</b>		<b>968,420,568.00</b>	<b>924,219,358.00</b>	<b>563,132,949.00</b>	<b>95,235,979.00</b>	<b>12,379,456.60</b>	<b>563,132,949.00</b>	<b>110,583,727.97</b>	<b>60.93</b>
							<b>2006</b>		<b>2000-2006</b>		
<b>Sub-sector</b>	<b>Reference Number</b>	<b>No.</b>	<b>Project</b>	<b>Total cost</b>	<b>Eligible cost</b>	<b>ISPA grant</b>	<b>Committed</b>	<b>Paid</b>	<b>Committed</b>	<b>Paid</b>	<b>% Grant</b>
<b>Road and rail</b>											
	2004RO16PPT009	1	Road and rail to the second bridge over Danube at Calafat-Vidin (Romanian side)	51,000,000.00	47,950,000.00	35,962,500.00	10,788,750.00	3,596,250.00	35,962,500.00	3,596,250.00	75.00
	2005RO16PPT002	1	Reconstruction of rail and road infrastructure sections damaged by floods in July and August 2005	59,250,000.00	57,750,000.00	49,087,500.00	24,543,750.00	4,908,750.00	49,087,500.00	4,908,750.00	85.00
	2004BG16PPT005	1	Construction: Cross-border, Road/Rail Bridge-Danube River/Vidin-Calafat	234,245,036.00	225,806,452.00	70,000,000.00	14,000,000.00	0.00	70,000,000.00	7,000,000.00	31.00
	<b>Sub-total</b>	<b>3</b>		<b>344,495,036.00</b>	<b>331,506,452.00</b>	<b>155,050,000.00</b>	<b>49,332,500.00</b>	<b>8,505,000.00</b>	<b>155,050,000.00</b>	<b>15,505,000.00</b>	<b>46.77</b>
							<b>2006</b>		<b>2000-2006</b>		
<b>Sub-sector</b>	<b>Reference Number</b>	<b>No.</b>	<b>Project</b>	<b>Total cost</b>	<b>Eligible cost</b>	<b>ISPA grant</b>	<b>Committed</b>	<b>Paid</b>	<b>Committed</b>	<b>Paid</b>	<b>% Grant</b>
<b>Inland waterways</b>											
	2005RO16PPT003	1	Improvement of the Navigation Conditions on the Danube between Calarasi and Braila	38,700,820.00	37,700,820.00	18,850,410.00	18,850,410.00	0.00	18,850,410.00	0.00	50.00
	<b>Sub-total</b>	<b>1</b>		<b>38,700,820.00</b>	<b>37,700,820.00</b>	<b>18,850,410.00</b>	<b>18,850,410.00</b>	<b>0.00</b>	<b>18,850,410.00</b>	<b>0.00</b>	<b>50.00</b>
							<b>2006</b>		<b>2000-2006</b>		

Sub-sector	Reference Number	No.	Project	Total cost	Eligible cost	ISPA grant	Committed	Paid	Committed	Paid	% Grant
<b>Airports</b>											
	2000BG16PPT002	1	Sofia Airport - Lot B1 New Terminal and Related Infrastructure	135,242,487.00	121,621,622.00	45,000,000.00	0.00	5,448,751.49	45,000,000.00	40,500,000.00	37.00
							<b>2006</b>		<b>2000-2006</b>		
Sub-sector	Reference Number	No.	Project	Total cost	Eligible cost	ISPA grant	Committed	Paid	Committed	Paid	% Grant
<b>Horizontal - transport related</b>											
	2000RO16PPA002	1	T.A. for revision of feasibility study & preparation of tender documents, technical project, road section Drobeta	1,466,060.00	1,466,060.00	1,099,545.00	0.00	0.00	1,099,545.00	900,000.00	75.00
	2001RO16PPA008	1	TA for rehabilitation of the railway HU border-Simeria	850,000.00	800,000.00	600,000.00	20,625.00	111,750.00	600,000.00	399,375.00	75.00
	2002RO16PPA011	1	Technical Assistance for the improvement of navigation conditions on the Danube	1,640,000.00	1,640,000.00	1,230,000.00	0.00	0.00	1,230,000.00	984,000.00	75.00
	2004RO16PPA001	1	T A for the elaboration of the General Transport Master Plan	5,926,500.00	5,920,000.00	5,032,000.00	1,509,600.00	1,006,400.00	5,032,000.00	1,006,400.00	85.00
	2004RO16PPA002	1	T.A. for the preparation of road projects for the Cohesion Fund	81,694,478.00	15,834,500.00	13,459,325.00	2,691,865.00	2,691,865.00	13,459,325.00	2,691,865.00	85.00
	2004RO16PPA003	1	Technical Assistance for the preparation of rail projects for the Cohesion Fund	42,400,000.00	22,900,000.00	19,465,000.00	3,893,000.00	3,893,000.00	19,465,000.00	3,893,000.00	85.00
	2005RO16PPA002	1	Technical Assistance for the improvement of navigation conditions on the Romanian-Bulgarian common sector of the Danube and accompanying	2,820,000.00	2,750,000.00	2,337,500.00	467,500.00	467,500.00	2,337,500.00	467,500.00	85.00

		studies								
2005RO16PPA003	1	T.A. for the preparation of road projects for the Structural Funds	46,823,235.00	12,751,000.00	9,563,250.00	5,027,000.00	1,912,650.00	9,563,250.00	1,912,650.00	75.00
2001BG16PPA001	1	Danube bridge technical assistance for recruitment of consultants	5,880,000.00	5,880,000.00	4,998,000.00	999,600.00	0.00	4,998,000.00	3,998,400.00	85.00
2005BG16PPA002	1	Technical assistance for modernization of Vidin-Sofia railway line	4,040,000.00	4,040,000.00	3,434,000.00	686,800.00	686,800.00	3,434,000.00	686,800.00	85.00
2005BG16PPA003	1	T A for strengthening Administrative Capacity in the Transport Sector	520,000.00	520,000.00	520,000.00	520,000.00	0.00	520,000.00	0.00	100.00
2005BG16PPA004	1	Technical assistance for the rehabilitation of railway infrastructure along sections of the Plovdiv-Burgas and Mezdra-Gorna Oryahovitsa railway lines	10,480,000.00	10,480,000.00	8,908,000.00	1,781,600.00	1,781,600.00	8,908,000.00	1,781,600.00	85.00
2006BG16PPA002	1	Technical Assistance for the modernisation of TEN-T Railway lines in Bulgaria	8,970,000.00	8,970,000.00	7,624,500.00	7,624,500.00	0.00	7,624,500.00	0.00	85.00
2006BG16PPA003	1	Technical Assistance for the preparation of Road Projects along TEN-T	4,800,000.00	4,800,000.00	4,080,000.00	4,080,000.00	0.00	4,080,000.00	0.00	85.00
2005HR16PPA002	1	TA for IPA transport project pipeline and strategy	741,738.00	741,738.00	482,130.00	482,130.00	96,426.00	482,130.00	96,426.00	65.00
<b>Sub-total</b>	<b>15</b>		<b>219,052,011.00</b>	<b>99,493,298.00</b>	<b>82,833,250.00</b>	<b>29,784,220.00</b>	<b>12,647,991.00</b>	<b>82,833,250.00</b>	<b>18,818,01.,00</b>	<b>83.26</b>

	<b>Total Transport</b>	<b>33</b>		<b>2,660,120,429.00</b>	<b>2,344,434,543.00</b>	<b>1,482,548,029.00</b>	<b>293,504,641.00</b>	<b>86,490,276.60</b>	<b>1,482,548,029.00</b>	<b>389,201,678.95</b>	<b>63.24</b>
<b>HORIZONTAL TECHNICAL ASSISTANCE</b>											
							<b>2006</b>		<b>2000-2006</b>		
<b>Sub-sector</b>	<b>Reference Number</b>	<b>No.</b>	<b>Project</b>	<b>Total cost</b>	<b>Eligible cost</b>	<b>ISPA grant</b>	<b>Committed</b>	<b>Paid</b>	<b>Committed</b>	<b>Paid</b>	<b>% Grant</b>
	2001RO16PPA009	1	T A to strengthen the capacity of ISPA IAs to implement ISPA measures-Stage I	589,753.00	589,753.00	589,753.00	0.00	106,902.08	589,753.00	578,704.48	100.00
	2005RO16PPA004	1	Support for the organization of two Monitoring Committee meetings in 2006 located in Romania	50,000.00	50,000.00	50,000.00	50,000.00	0.00	50,000.00	0.00	100.00
	2002BG16PPA003	1	Technical assistance for the preparation of EDIS	1,023,555.00	1,023,555.00	1,023,555.00	131,000.00	315,322.00	1,023,555.00	818,844.00	100.00
	2005BG16PPA001	1	Support for the organization of the Monitoring Committees in 2005-2006	20,000.00	20,000.00	20,000.00	10,000.00	8,000.00	20,000.00	20,000.00	100.00
	2005HR16PPA001	1	Support to the NIC and the CFCU	262,335.00	262,335.00	262,335.00	262,335.00	52,467.00	262,335.00	52,467.00	100.00
	<b>Total Technical Assistance</b>	<b>5</b>		<b>1,945,643.00</b>	<b>1,945,643.00</b>	<b>1,945,643.00</b>	<b>453,335.00</b>	<b>482,691.08</b>	<b>1,945,643.00</b>	<b>1,470,015.48</b>	<b>100.00</b>
<b>GRAND TOTAL</b>		<b>107</b>		<b>4,811,951,309.00</b>	<b>4,426,170,412.00</b>	<b>2,981,660,167.00</b>	<b>580,270,000.00</b>	<b>174,301,691.92</b>	<b>2,981,660,167.00</b>	<b>733,243,921.65</b>	<b>67.36</b>

PROJECT SUMMARY TABLE							
	No. of projects	Eligible cost	ISPA Grant	Committed in 2006	Paid in 2006	Committed 2000-2006	Paid 2000-2006
<b>Environmental Projects</b>							
Water & sewage	4	159,855,800.00	119,891,850.00	28,954,185.00	0.00	119,891,850.00	23,391,669.66
Water & wastewater incl. treatment	29	1,114,871,298.00	806,702,902.00	158,791,629.00	60,909,513.86	806,702,902.00	198,601,319.82
WWTP	16	423,731,656.00	304,682,634.00	44,330,944.00	10,252,651.69	304,682,634.00	52,709,562.05
Solid waste	10	221,209,624.00	165,289,567.00	25,402,124.00	10,757,355.48	165,289,567.00	45,301,258.66
Air quality	1	72,330,000.00	36,165,000.00	3,616,500.00	0.00	36,165,000.00	3,616,500.00
Horizontal – environment related	9	87,791,848.00	64,434,542.00	25,216,642.00	5,409,203.21	64,434,542.00	18,951,917.03
<b>Environment total</b>	<b>69</b>	<b>2,079,790,226.00</b>	<b>1,497,166,495.00</b>	<b>286,312,024.00</b>	<b>87,328,724.24</b>	<b>1,497,166,495.00</b>	<b>342,572,227.22</b>
<b>Transportation Projects</b>							
Road	9	829,892,993.00	617,681,420.00	100,301,532.00	47,509,077.51	617,681,420.00	203,794,934.98
Rail	4	924,219,358.00	563,132,949.00	95,235,979.00	12,379,456.60	563,132,949.00	110,583,727.97
Road & Rail	3	331,506,452.00	155,050,000.00	49,332,500.00	8,505,000.00	155,050,000.00	15,505,000.00
Inland waterways	1	37,700,820.00	18,850,410.00	18,850,410.00	0.00	18,850,410.00	0.00
Airports	1	121,621,622.00	45,000,000.00	0.00	5,448,751.49	45,000,000.00	40,500,000.00
Horizontal – transport related	15	99,493,298.00	82,833,250.00	29,784,220.00	12,647,991.00	82,833,250.00	18,818,016.00
<b>Transport total</b>	<b>33</b>	<b>2,344,434,543.00</b>	<b>1,482,548,029.00</b>	<b>293,504,641.00</b>	<b>86,490,276.60</b>	<b>1,482,548,029.00</b>	<b>389,201,678.95</b>
<b>Horizontal Projects</b>							
<b>Horizontal total – non sector related</b>	<b>5</b>	<b>1,945,643.00</b>	<b>1,945,643.00</b>	<b>453,335.00</b>	<b>482,691.08</b>	<b>1,945,643.00</b>	<b>1,470,015.48</b>
<b>GRAND TOTAL</b>	<b>107</b>	<b>4,426,170,412.00</b>	<b>2,981,660,167.00</b>	<b>580,270,000.00</b>	<b>174,301,691.92</b>	<b>2,981,660,167.00</b>	<b>733,243,921.65</b>