1. Basic Information

CRIS Number: 2002/000-624-01
Title: Rehabilitation and Partial Reconstruction of Road II-19 Razlog – Bansko – Gotse Delchev – Sadovo
Sector: Infrastructure - Transport (IN)
Location: Bulgaria, South region

2. Objectives

2.1. Overall Objectives

• To reduce isolation of border regions and encourage investments and cross-border trade.
• Through this improved communication link, development of both regional and national economic co-operation.
• Improvement of the infrastructure in the CBC regions of Bulgaria, as a part of the strategy for sustainable social and economic development.

2.2. Project purpose

• Improvement of the existing II-19 road section between Razlog (Bansko) and Gotse Delchev
• Facilitate the increased traffic flow between Bulgaria and Greece through the new BCCP “Ilinden”.
• Development of the natural potential for tourism of this attractive area and thus provide the conditions for economic and social exchange between the CBC regions.
• Time and operating cost savings, as well as improved traffic safety and comfort.
• Promotion of local and national economic development.

2.3. Accession Partnership and NPAA priority

• Development and implementation of complex regional structures, programmes and projects for the integrated development of problem areas in the country – underdeveloped, isolated, depressive and cross-border areas;
• Preparation of Bulgarian regions for the implementation of the structural policies applied by the EU Member States through the development of strategies and programmes for sustainable social and economic development.

NPAA (Medium-term priority):
• Promotion of cross-border co-operation.
2.4. Contribution to National Development Plan

CBC regions, a part of which is the area of the project, are treated in the National Development Plan (NDP) as a high priority target. The proposed project fully complies with the objectives defined in the NDP, which classifies CBC regions in a separate target group.

Some of the expected results of program “CBC with Greece” and subprogram “Roads” (program “Transport System”) are as follows:

- Foundation of a new CBC zone in the area of influence of the new BCPP “Ilinden”
- Improvement of the economical and social conditions
- Improvement of international and local transport connections
- Optimization of road infrastructure and improved accessibility
- Improvement of traffic safety and comfort
- Improved access of goods from and to both national and international markets
- Improved access to areas of tourist value
- Improvement of approach roads to BCCPs

The proposed project will contribute to the achievement of these results.

2.5. Cross Border Impact

- Support road infrastructure works in order to foster cross border co-operation at a local and national level.
- Facilitate an increase in the trade and cultural links between the two countries.
- Encourage economic development on both sides of the border in the region.

3. Description

3.1 Background and justification

Background

Road II-19 is the main road link for the South West Region of Bulgaria, being the only high-class road serving the traffic from and to Central Bulgaria using road E-79 and providing a link with Gotse Delchev via Bansko.

The positive and beneficial effects of the construction of the new road “Gotse Delchev – Drama” (Phare funded project with a total budget of 10.85 MEUR) and the new BCCP “Ilinden” (Phare funded project with a total budget of nearly 5 MEUR) will be mitigated by the current poor condition of the road section between Razlog (Bansko) and Gotse Delchev. The insufficient exploitation characteristics of the road due to extensive potholes, rutting, and inadequately maintained structures are affecting not only the comfort but also the safety of the passengers. If the necessary funding for rehabilitation of the road II-19 is provided in the year 2002 under the Phare CBC Bulgaria – Greece 2002 programme, the project will be completed just in time to serve the expected considerable increase in the traffic flow after the opening of BCCP “Ilinden”.

Taking benefit of road II-9 and its continuation in North East direction – road II-84 “Razlog – Lakoruda – Lundola – Velingrad – Pazardjik” a connection between BCCP “Ilinden” and
the Central part of Bulgaria will be established. This will encourage development not only in the area of the project, but in the region of Lundola and Velingrad, which is highly attractive for leisure activities.

The South West region of Bulgaria has a very high potential for tourism and realization of the proposed infrastructure project will increase significantly the possibilities for development of the local economy. The area is well known for its mineral wells with proven medical effect. It is equally attractive for both winter and summer leisure activities because of the easy access to the Pirin Mountain. The possibility of attracting more visitors is substantial for the region.

The proposed project consists of rehabilitation and partial reconstruction of 58 km of the existing II class road (II-19).

**Justification**

Bulgaria is currently in the process of conversion to a market led economic system. As an integral part of this process, the country is actively pursuing a policy of greater accessibility to trade and economic links with its neighbouring countries Greece, Romania, FYROM and Turkey. Its key geographical position supposes heavy flow of international traffic to cross the Bulgarian borders. Therefore, from the improvement of existing approach roads to the cross border checkpoints and the construction of new roads will benefit not only the national but also the international traffic.

The proposed project is in compliance with the priorities established in the Joint Programming Document (JPD), agreed during the Joint Cooperation Committee (JCC) between Greece and Bulgaria (Athens, 20 Nov. 2000) and JPC (Athens, 23 July 2002) and especially with the AXIS 1 CROSS BORDER INFRASTRUCTURES, Measure 1.1 **Transport Infrastructures**. Under the priority 1 “Improvement of local trans-national infrastructure”, one of the proposed measures is “the rehabilitation of the communication infrastructures in the CBC region, including the rehabilitation of the roads network”.

This project complies also with the provision of Council Regulation 1266/1999 on Coordination of pre-accession assistance.

**3.2 Linked activities**

- BG9803.01.01 Rehabilitation of E-79 road “Dupnitza –Kulata”: Completed.
- BG9803 01.02 Rehabilitation of E-85 road “Harmanli – Svilengrad”: Under Implementation.
- BG9803 01.03 Reopening of access road to the new border crossing at Illinden (link Goce-Delcev - Drama): Completed.
- BG9904.02.01 Construction of cross border Check-point “Ilinden”: Completed.
- BG0008.01 Construction of the Access Road (Podkova - Makaza) to the new Border Crossing between Greece and Bulgaria (Makaza - Nimfeia): Signing of Contract is forthcoming.
- BG0008.02 Construction of Cut & Cover Tunnel at Gotse Deltsev – Drama Border Crossing: Under Tender procedure.
3.3 Results

- Strengthening the co-operation between the two border regions at local level.
  
  The main municipalities from the Bulgarian side concerned with the need for upgrading of the existing road are: Razlog, Bansko and Gotse Delchev.

- The travel distance between the villages in the region and Greece (Drama for example) will be considerably shortened as an alternative to the existing crossing point Kulata/Promachonas. Part of the traffic from Central Bulgaria to Greece will also take advantage of the improved road link.

- Preparation of Bulgarian border regions for the implementation of the structural policies applied by the EU Member States through the development of strategies and programmes for sustainable social and economic development.

- Provision of employment during the construction period.

3.4 Activities

The proposed project consists in rehabilitation and partial reconstruction of approximately 58 km of road II-19 between Razlog (Bansko) and Gotse Delchev. The rehabilitated section will comply with the EU standards, and in particular as regards the maximum authorised weight of 11.5 T per axle. To that end, the following activities will be undertaken:

- **Detailed Design updating**
  
  REA will undertake updating of the existing Detailed Design before starting of works tendering procedure.
  No additional funding required.

- **Construction Supervision Services**
  
  REA will undertake the preparation of the Tender Dossier for the Service Contract and tendering procedure.
  No additional funding is required.

  This contract shall be awarded according to the “Practical Guide to Phare, Ispa and Sapard contract procedures” through restricted tender procedure.
  Estimated budget: **0.9 M Euro.**

- **Construction Works**
  
  REA will undertake the preparation of the Tender Dossier for the Works Contract and tendering procedure. No additional funding is required.

  The contract shall be awarded under FIDIC 1999 conditions for construction through an open tender. Estimated budget: **11.5 M Euro.**

The PHARE contribution will finance up to 9.3 MEUR, the rest of the financing up to 12.4 MEUR will be financed by the Bulgarian State Budget.
3.5 Lessons learned

Cost and time overruns were highlighted in recent M&A reports. Expenditure will be controlled more closely, by ensuring that variation orders are issued in good time and that the Engineer does not certify payments exceeding the Contract amounts without prior approval. The staff within the department has been increased and training of the staff has been carried out.

Further delays were caused by slow land acquisition. There is no extra land needed for this project.

4 Institutional Framework

- **Recipient country** – Republic of Bulgaria

- **Beneficiary Institution** – Road Executive Agency (REA).

- **Engineer** – the Engineer will be appointed after restricted International Tender Procedure for the supervision contract according to “Practical Guide to Phare, Ispa & Sapard contract procedures”.

- **Contracting Authority** – PHARE CBC IA in the Ministry of Regional Development and Public Works (PHARE CBC IA, hereafter).

- **Owner of the asset after project completion** - REA

The Regional Department of REA will bear the responsibility to cover all operational, administrative and maintenance costs.

The project is in full relevance with government regional policy to promote and support the population in the border regions and with relevant Legal Framework.

It is also in compliance with all existing relevant bilateral agreements between Bulgaria and Greece, concerning Border links and relationships.

5 Detailed Budget (in MEUR)

<table>
<thead>
<tr>
<th>Component</th>
<th>PHARE Support</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Supervision Services</td>
<td>0</td>
<td>0.9</td>
<td>0.9</td>
<td>0</td>
<td>0</td>
<td>0.9</td>
</tr>
<tr>
<td>Construction works</td>
<td>8.4</td>
<td>0</td>
<td>8.4</td>
<td>3.1</td>
<td>0</td>
<td>11.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8.4</td>
<td>0.9</td>
<td>9.3</td>
<td>3.1</td>
<td>0</td>
<td>12.4</td>
</tr>
</tbody>
</table>
6 Implementation Arrangements

6.1 Implementing Agency

The CBC Implementing Agency is the Ministry of Regional Development and Public Works (MRDPW), which retain overall responsibility for the implementation of the project (approval of terms of reference, of tender documents, of evaluation criteria, of evaluation of offers, signature of contracts, authorisation and payments of invoices).

The project beneficiary institution is Roads Executive Agency (REA). It is responsible towards the CBC Implementing Agency for the operational management of the project: preparation of terms of reference, of tender documents, of evaluation criteria, of evaluation of offers, of contracts and of invoices for payment.

For Work Contracts under FIDIC rules, an official of REA acts, as the Employer and the invoices have to be certified by an independent Engineer contracted and financed by the Phare Programme. REA reports monthly to the CBC Implementing Agency (with direct copies to the EC Delegation) with monthly disbursement and commitment schedules and with sufficient detail to allow for assessment of progress made and remaining work to be done.

<table>
<thead>
<tr>
<th>Ministry of Regional Development and Public Works</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Minister Mr Hasan Hasan</td>
</tr>
<tr>
<td>17-19 Kiril and Metodi St.</td>
</tr>
<tr>
<td>1202 Sofia</td>
</tr>
<tr>
<td>Phone: +359 2 988 1849</td>
</tr>
<tr>
<td>+359 2 940 5576</td>
</tr>
<tr>
<td>Fax: +359 2 988 4364</td>
</tr>
</tbody>
</table>

6.2. Twinning: N/A

6.3. Non-standard aspects

There are no “non-standards aspects”. The “Practical Guide to Phare, Ispa and Sapard contract procedures” will strictly be followed.

6.4. Contracts

Two contracts are anticipated:

Service Contract for Construction Supervision.
Estimated value of contract: 0.9 MEUR.
The duration of the Supervision Contract is expected to be 36 months:
1 month - mobilisation, 18 – supervision during construction, 12 months Defect Notification Period, 5 months – Final Payment

Works Contract for Construction Works.
Estimated value of contract: 11.50 MEUR.
The duration of the Works Contract is expected to be 35 months:
18 – construction, 12 months Defect Notification Period, 5 months – Final Payment
7. Implementation Schedule

<table>
<thead>
<tr>
<th>Start of tendering</th>
<th>Start of project activity</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2003</td>
<td>January 2004</td>
<td>November 2006</td>
</tr>
</tbody>
</table>

8. Equal Opportunity

The project implementation procedures will ensure that the project brings benefits to men and women and to ethnic groups in equal measure. Special attention will be paid to guarantee that women and members of ethnic groups are included in the project activities.

9. Environment

Pursuant to Article 20, Paragraph 1, item 3 of the Law for Preservation of the Environment, rehabilitation and reconstruction of an existing road, (where the road class remains unchanged) is not subject to a mandatory Environmental Impact Assessment Report (EIA).

10. Rates of return

The socio-economic analyses shows project benefit from the sections to be rehabilitated - about 18% IRR.

This socio-economic analyses is based on the typical “Methodology for determination of the feasibility of repair works design for Bulgarian roads” from 1993 of the Central Laboratory of Roads and Bridges.

11. Investment criteria

11.1 Catalytic Effect

Without PHARE assistance the project will not be implemented in the near future, because of the lack of funds. Thus EU Phare funds are appearing as the economic assistance to the country and will mobilise economy during Pre-Accession period achieving better socio-economic effect.

11.2 Co-financing

The project is to be co-financed by Bulgarian Government who will provide 25% of the total cost of the project, which is 3,1 MEUR.

11.3 Additionally

No other financing sources from the private sector or from IFIs will be available for financing of the project.

11.4 Project readiness and Size

The Detailed Design is completed. REA will update the Detailed Design in order to ensure compliance with the international standards and norms.

No Feasibility study is required for rehabilitation projects.
REA will be responsible for the preparation of the Tender Dossiers for the Works and Service Contracts and tendering procedures. The implementation of the project can start according to the construction chart (Annex 2). The project complies with the 2 MEUR minimum PHARE allocation requirements.

11.5 Sustainability

Road Executive Agency as an institution will be responsible for the future maintenance and operational costs of the rehabilitated road.

11.6 Compliance with the state aids provisions

The project complies with the state aids provisions.

11.7 Contribution to National Development Plan

The proposed project will contribute to the achievement of the objectives declared in the National Development Plan.

12. Conditionality and sequencing

- The Bulgarian authorities undertake the obligation to cover any additional cost, above the envisaged MEUR 12, necessary for the completion of the whole project during its implementation timeframe. If the total cost of the project is greater than the amount envisaged in the project fiche, the extra support required will be provided by additional national co-financing. The additional national co-financing will be provided by:
  - either allocating extra national funds to conclude a contract with the contractor proposed further to the completion of the procurement process following the Practical Guide to Phare, Ispa and Sapard Contract Procedures,
  - or increasing of the cost of the on-going Phare financed contract via an addendum.
- Every infrastructure project will be publicised according to a publicity action plan to be prepared by the Ministry of Regional Development and Public Works and endorsed by the Commission before tendering the works.
- The rehabilitated road section will comply to the EU standards and norms
- REA will bear the maintenance costs for the rehabilitated road section.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement
4. Reference to feasibility /pre-feasibility studies
Annex 1 – Logical framework matrix in standard format

**Rehabilitation and Partial Reconstruction of Road II-19 “Razlog – Bansko – Gotse Delchev – Sadovo”**

<table>
<thead>
<tr>
<th>Overall Objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>- To reduce isolation of border regions and encourage investments and cross-border trade.</td>
<td>- Increase GDP&lt;br&gt;- Increase Greek and other foreign investments in the region</td>
<td>Governmental and international statistic</td>
</tr>
<tr>
<td>- Through this improved communication link, development of both regional and national economic co-operation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Improvement of the infrastructure in the CBC regions of Bulgaria, as a part of the strategy for sustainable social and economic development.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Information</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Improvement of the existing II-19 road section between Razlog (Bansko) and Gotse Delchev</td>
<td>- Increased traffic flow&lt;br&gt;- Reduced cross border journey duration&lt;br&gt;- Correspondence with EU requirements and regulations</td>
<td></td>
<td>- Economic growth in other sectors&lt;br&gt;- Reduction of the level of unemployment in the region&lt;br&gt;- Bulgarian Government continues its current commitment to reform and to accession to the EU</td>
</tr>
<tr>
<td>- Facilitate the increased traffic flow between Bulgaria and Greece through the new BCCP “Ilinden”.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Development of the natural potential for tourism of this attractive area and thus provide the conditions for economic and social exchange between the CBC regions.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Time and operating cost savings, as well as improved traffic safety and comfort.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Promotion of local and national economic development.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Results</td>
<td>Objectively verifiable indicators</td>
<td>Sources of Information</td>
<td>Assumptions</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------</td>
<td>------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>• Strengthening the co-operation between the two border regions at local level. The main municipalities from the Bulgarian side concerned with the need for upgrading of the existing road are: Razlog, Bansko and Gotse Delchev.</td>
<td>• Interim Payment certificates • Taking over certificate under FIDIC • Taking over according Bulgarian Territorial Structural Act</td>
<td>• MRDPW • REA</td>
<td>• Most of project activities does not exceed cost estimates and no major contingency during construction</td>
</tr>
<tr>
<td>• The travel distance between the villages in the region and Greece (Drama for example) will be considerably shortened as an alternative to the existing crossing point Kulata/Promachonas. Part of the traffic from Central Bulgaria to Greece will also take advantage of the improved road link.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Preparation of Bulgarian border regions for the implementation of the structural policies applied by the EU Member States through the development of strategies and programmes for sustainable social and economic development.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Provision of employment during the construction period.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activities</td>
<td>Means</td>
<td>Sources of Information</td>
<td>Assumptions</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>----------------------------</td>
<td>----------------------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td><strong>Detailed Design updating</strong></td>
<td>• 11.5 MEUR contracted and disbursed</td>
<td>• reports issued by MRDPW, REA, Resident Engineers, Contractors</td>
<td>• Continuity of staff and policy in MRDPW and REA enabling implementation of the project without delays</td>
</tr>
<tr>
<td></td>
<td>• Adequately staffed contractor’s team</td>
<td>• MRDPW bank statements</td>
<td></td>
</tr>
<tr>
<td><strong>Construction Supervision Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Construction Works</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REA will undertake updating of the existing Detailed Design before starting of works tendering procedure. No additional funding required.

REA will undertake the preparation of the Tender Dossier for the Service Contract and tendering procedure. No additional funding is required.

This contract shall be awarded according to the “Practical Guide to Phare, Ispa and Sapard contract procedures” through restricted tender procedure. Estimated budget: **0.9 M Euro**.

REA will undertake the preparation of the Tender Dossier for the Works Contract and tendering procedure. No additional funding is required.

The contract shall be awarded under FIDIC 1999 conditions for construction through an open tender. Estimated budget: **11.5 M Euro**.
Annex 2 – Detailed implementation chart

Rehabilitation and Partial Reconstruction of Road II-19 “Razlog – Bansko – Gotse Delchev – Sadovo”

<table>
<thead>
<tr>
<th>Components</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Construction</td>
<td>D</td>
<td>C</td>
<td>I</td>
<td>T</td>
</tr>
<tr>
<td>Supervision Services</td>
<td>T T T T T T</td>
<td>C I I I I I</td>
<td>I I I I I I</td>
<td>I I I I I I</td>
</tr>
<tr>
<td>2. Construction Works</td>
<td>T T T T T T</td>
<td>C I I I I I</td>
<td>I I I I I I</td>
<td>I I I I I I</td>
</tr>
</tbody>
</table>

D = Design/Tender preparation        C = Contracting    I = Implementation/works    T = Tender procedure
### Annex 3 – Contracting and disbursement schedule by quarter

**Rehabilitation and Partial Reconstruction of Road II-19 “Razlog – Bansko – Gotse Delchev – Sadovo”**

#### Cumulative contracting schedule by quarter in MEUR (planned)

<table>
<thead>
<tr>
<th>Components</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>Total Phare Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td>1. Construction Supervision Services</td>
<td>0,90</td>
<td>0,90</td>
<td>0,90</td>
<td>0,90</td>
<td>0,90</td>
</tr>
</tbody>
</table>

#### Cumulative disbursement schedule by quarter in MEUR (planned)

<table>
<thead>
<tr>
<th>Components</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>Total Phare Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td>1. Construction Supervision Services</td>
<td>0,10</td>
<td>0,20</td>
<td>0,30</td>
<td>0,42</td>
<td>0,55</td>
</tr>
<tr>
<td>2. Construction Works</td>
<td>0,70</td>
<td>1,50</td>
<td>2,65</td>
<td>3,80</td>
<td>5,00</td>
</tr>
<tr>
<td><strong>Total disbursement:</strong></td>
<td>0,10</td>
<td>0,90</td>
<td>1,80</td>
<td>3,07</td>
<td>4,35</td>
</tr>
</tbody>
</table>

### Annex 4 - Reference to feasibility /pre-feasibility studies

Feasibility Study is required only when a new road is constructed. Therefore for this Project, which is a rehabilitation of an existing road, no Feasibility Study has been prepared.