

EN

EN

EN

ISPA Measure No:
2003 BG 16 P PE 019

FINANCING MEMORANDUM

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

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

**Kardjali Regional Waste Management Centre
in Bulgaria**

FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "the Commission", acting for and on behalf of the European Community, hereinafter referred to as "the Community" represented by the Acting Director General for Regional Policy, Mr Graham Meadows, for the Commission

on the one part, and

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

on the other part,

HAVE AGREED AS FOLLOWS:

Article 1

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

Article 2

Identification of the measure

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

Measure number: 2003 BG 16 P PE 019

Title: **Kardjali Regional Waste Management Centre**

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

End date: 31 December, 2008

Location: **Kardjali and Haskovo Regions in Bulgaria**

Group: Regional Waste Management Centre

Article 3

Commitment

1. The maximum public or equivalent expenditure which may be taken into account for the purpose of calculating assistance shall be € 14 547 162;
2. The rate of Community assistance granted to the measure is fixed at 75 % of total public or equivalent expenditure as indicated in the financing plan in Annex II;
3. The maximum amount of assistance from the Instrument for Structural Policies for Pre-accession is fixed at € 10 910 372;
4. An amount of € 8 728 297 is committed from the 2003 budget under budgetary line B7-020. Commitments in respect of subsequent instalments shall be based on the initial or revised financing plan for the measure, subject to the state of implementation of the measure and to budgetary availability.

Article 4

Payments

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

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

4. The advance payment is fixed at € 2 182 074, which shall be transferred as follows:
 - An amount of € 1 091 037 is paid out after signature of this memorandum by the beneficiary;
 - The remainder is paid out after signature of the first substantial works contract to be agreed between the beneficiary and the Commission after submission of the procurement plan as specified in Article 8 (3.a.) hereunder.
5. In accordance with Annex III. 1, Section III, point 5, the Commission will accept for this measure a total amount of advance and intermediate payments of 90 % of the total assistance granted.

Article 5

Respect of Community law and policies

The measure shall be carried out in compliance with the relevant provisions set out in the Europe Agreements and shall contribute to the achievement of Community policies, in particular those concerning environmental protection and improvement.

Article 6

Intellectual property

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

Article 7

Permits and authorisations

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

Article 8

Specific conditions related to the measure

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

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

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

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

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

2. Condition on viability:

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

3. Conditions relating to the second instalment of the advance payment:

- (a) The second instalment of the advance payment is conditional on the presentation by the beneficiary of a procurement plan, which has to be agreed by the Commission.
- (b) The second instalment of the advance payment is conditional on the presentation of a comprehensive plan and analysis for the Transfer Loading Stations (to be agreed by the Commission).
- (c) The second instalment of the advance payment is conditional on the presentation of the EIA including all required consultations.
- (d) The second instalment of the advance payment is conditional on the presentation of an Emergency and Monitoring programme (to be agreed by the Commission).
- (e) The second instalment of the advance payment is conditional on the appointment of a Project Implementation Unit.

4. Conditions relating to the final payment:

The final payment is conditional on the presentation by the beneficiary of a final report providing:

- (a) evidence of the existence of a Regional waste management plan, in line with the requirements of the Bulgarian Waste Management Act and showing consistency with the National waste management plan;
- (b) confirmation from the municipal authorities that waste collection charges are in place;
- (c) confirmation that the rehabilitation of the old 8 landfills (dumps) has been conducted in accordance with the requirements of the landfill Directive, specifically its Annex III.

Article 9

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

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

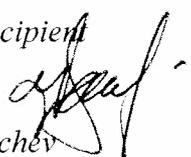
Article 10

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

Done at

10 02 2004

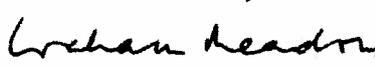
For the Recipient


Milen Velchev
National ISPA Co-ordinator

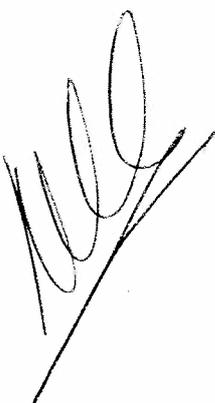
Done at Brussels,

16 DEC. 2003

For the Community


Graham Meadows
Acting Director General





List of Annexes

Annex I Description of measure

Annex II Financing plan

**Description of measure
Kardjali Regional Waste Management Centre
in Bulgaria**

Commission code No: 2003 BG 16 P PE 019

1. MEASURE TITLE

Kardjali Regional Waste Management Centre

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

2.1. Name: Ministry of Finance, Mr Lyubomir Datzov, Deputy Minister

2.2. Address: 102, Rakovski Str., 1040 Sofia, Bulgaria

E-mail: l.datzov@minfin.bg

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

3.1. Name: Ministry of Environment and Water

3.2. Address: 67, William Gladstone st., Sofia, Bulgaria

E-mail: marianasir@moew.government.bg

4. FINAL BENEFICIARY (in case it is a different body from the authority mentioned under 3)

4.1. Name: Regional Association "For Cleaner Rhodopi"

4.2. Address: 41, Blvd. Bulgaria, Kardjali, Bulgaria

E-mail:

5. LOCATION

5.1. Beneficiary country: Republic of Bulgaria

5.2. Region: Kardjali and Haskovo

6. DESCRIPTION

6.1. Background of the Measure

The establishment of Kardjali waste management centre is proposed as an important part of Bulgarian national waste disposal infrastructure, which aims at the appropriate disposal of waste generated throughout the territory of Kardjali and Haskovo region. The centre will conform to the Waste Framework Directive which obliges the relevant authorities to establish an integrated and adequate network of disposal installations. They should also ensure that waste is handled by a public waste collector or by an enterprise which carries out disposal and/or recovery operations without risk to human health and the environment.

According to the latest draft Plan for the implementation of the Directive 1999/31/EC on Landfill of Waste Kardjali Regional Waste Management Centre falls under highest priority - Group IV.

The proposed solution has been included in the Regional Development Plan 2002 and agreed by the Municipalities.

The measure will meet the requirements of the following EC Directives:

- 1) Framework directive on Waste 75/442 amended by EC Directive 91/556
- 2) EC Directive on Landfill of Waste 1999/31
- 3) EC Directive on Hazardous Waste 91/689

The Kardjali Regional Waste Management Centre is to serve 8 Municipalities of Southeast Bulgaria: Ardino, Chernoochene, Djebel, Ivajlovgrad, Kirkovo, Krumlovgrad, Kardjali, Momchilgrad - a total territory of 4 022 sq. km and the population served by the project will be 174 645 inhabitants. The Kardjali Regional Waste Management Centre is to be situated near the town of Kardjali, and 7 Transfer Loading Stations are to be constructed in each of the other municipalities. All the municipalities besides Ivajlovgrad belong to the Kardjali region. Ivajlovgrad is located in the Haskovo region, but the distance to the Haskovo landfill is much greater than to the Kardjali Regional Waste Management Centre.

The final beneficiaries - the regional municipalities - have formed a Regional Waste Management Association, which will nominate a Project Implementation Unit, responsible for the day-to-day implementation of the project and for the technical and financial reporting to the Implementing Agency.

6.2. Overall Description

The proposed measure consists of:

- Construction of Kardjali Regional Waste Management Centre for the storage, treatment and disposal of all types of municipal waste in the mentioned regions (part 6.2.1.);
- Construction of 7 Transfer Loading Stations (part 6.2.2.);
- Remediation and restoration of 8 old landfills on the beneficiaries' territory (part 6.2.3.).

6.2.1. *Kardjali Regional Waste Management Centre:*

The Kardjali Regional Waste Management Centre is to be developed on a total territory of 40.27 ha.

The facility will include:

A. Infrastructure: Reception, Material Assessment & Maintenance Unit:

Description: General infrastructure for the management of all activities at the Kardjali Regional Waste Management Centre, acceptance and inspection of waste, monitoring of the site etc.

The infrastructure consists of:

- Site access road (2 km of improvement of the existing road, 2 km new road construction) and internal site roads;
- Fencing and main access;
- Waste reception Civic Amenity Site / Emergency Tipping Area;
- Weighbridge;
- Wheel wash;
- Decontamination Channel;
- Quarantine area;
- Office building with laboratory;
- Waste water treatment unit (with parameters: BOD₅ up to 25 mg/l, SS up to 60 mg/l);
- External connection to the utilities: water supply, sewerage, power and telephone;
- Monitoring points for surface water, ground water, leachate and landfill gas.

B. Segregation and Composting Unit:

The composting unit will be constructed according the EC Directive with the aim of permitting the region to fulfil the obligation of the Directive 1999/31/EC on the Landfill of Waste regarding the reduction of the biodegradable waste going to the landfill.

C. Non-Hazardous Waste Landfill Unit:

Landfill areas will be constructed as a series of containment cells or storage areas commensurate with the waste type and nature of hazards they pose. The landfill void space is to be developed progressively on a cell-by-cell basis to provide full continuity for the disposal of each waste type throughout the duration of landfilling, which at this stage is anticipated to be 20 years. This measure will provide available space for an initial period of 2 years (two cells). Thereafter the development will be funded through the Kardjali Regional Waste Management Centre landfill charges calculated into the costs for development and operation of the landfill.

It is estimated that a total of 20 cells may be needed over the life of the facility.

D. Inert Site Unit:

Inert waste is expected to come mainly from the construction industry, with relatively small quantities from households via Transfer Loading Stations/Community Collection Centres. The approximate volume is likely to be 1 200 m³ annually. The inert waste accepted at the Kardjali Regional Waste Management Centre is to be used for daily cover materials or restoration materials.

Total size of the Inert Site Unit constructed will be 2 900 m².

E. Hazardous Waste Temporary Storage Unit:

This item contains mainly the construction of 1 temporary storage cell (238,5 m²) and the Medical waste treatment facility.

6.2.2. *Transfer Loading Stations*

The system will consist of 7 Transfer Loading Stations located in each of the regional municipalities. As a result each Transfer Loading Station will become a virtual gate for the Kardjali Regional Waste Management Centre and the disposal price per tonne will be equal for each municipality.

The construction of the Transfer Loading Stations will have three main purposes:

- Community Collection Facility with separate temporary storage for different types of waste - tyres, bulky items, domestic hazardous waste, reusable materials.
- A compact unit for general waste received from the local municipal collection system, which is going to go to the Kardjali Regional Waste Management Centre.
- Welfare management unit for management of local waste management services of the municipality - office, training room.

6.2.3. *Remediation of 8 Old Landfills (Dumps)*

The main dumps of the municipalities that joined the Regional Association have to be restored.

This measure will finance the removal of the waste from Ardino, Djebel, Kirkovo, Krumlovgrad, Momchilgrad and Chernoochene old dumps and restore the sites to their original status.

This measure will re-cultivate the old landfills in Kardjali and Ivajlovgrad including re-shaping and capping of the body of the dump, gas extraction and leachate collection and treatment.

7. **OBJECTIVES**

The main objective of the measure is to achieve solid waste management in full compliance with EC and Bulgarian Regulations and thus avoid potential environmental damage from landfills.

The measure will achieve the following objectives:

- Close 8 old polluted disposal sites;
- Allow the restoration of the areas occupied by the old disposal sites;
- Build a new Regional Waste Management Centre which will serve more extended areas with considerable advantages in terms of scale economies;
- Build a new landfill meeting EC technical requirements;
- Improve the state of the environment in the target areas;
- Improve the health of the population living in the target areas served by the new disposal site;
- Diminish the pollution of local waters;
- Improve the organisation and efficiency of part of the Bulgarian solid waste disposal network;
- Improve the monitoring and control of the solid waste disposal network in the target areas.

8. WORK SCHEDULE (INDICATIVE)

	<i>Start date</i>	<i>Completion date</i>
Feasibility study:	10/12/2001	12/04/2002
Environmental impact assessment:	08/01/2002	15/12/2003
Detailed Design studies:	09/2003	28/02/2004
Tender documents:	09/2003	28/02/2004
Construction:	01/09/2004	31/12/2007
Operational phase*:	01/07/2005	01/07/2025

* The operation will start in 2005 when Infrastructure and Non-hazardous waste landfill Unit will be constructed.

9. ECONOMIC AND SOCIAL COST-BENEFIT ANALYSIS

A standard cost-benefit analysis has not been undertaken in this case as there is no generally agreed methodology for estimating social and environmental benefits of waste disposal facilities.

Nevertheless, the proposed environmental and social benefits are considerable and will include the following:

- the project and related activities (removal of the waste from small illegal dumps) will significantly improve the local state of the environment and human health by reducing the environmental pollution from solid waste;
- 6 old municipal dumps will be completely removed and the areas restored to their original status;
- there will be a reduction in the pollution of groundwater and soils, as well limiting the potential damage to bio-diversity in the project areas;
- the project will contribute to the generation of employment opportunities;
- a waste management system will be established in the region, with services that will be affordable and accessible to the inhabitants;
- the project will help Bulgaria to meet the criteria for accession to the EU, meeting EC Regulations on environmental standards, and ultimately having a positive impact on macroeconomic growth;
- the local economy will benefit from procurement of construction materials and from personnel employed during the construction and operation phase.

10. MAIN ELEMENTS OF FINANCIAL ANALYSIS

A full recovery of the costs is assumed for the direct charging of hazardous waste and inert waste disposal.

The tariffs for non-hazardous waste assume 100 % cost invoicing. These tariffs are paid directly by the respective municipalities, which collect waste charges from the population. The calculations in this case were based on the integration of the principles of cost recovery and affordability. The charges for the non-hazardous waste will fully recover the costs for operation and maintenance over the lifetime of the project.

The presented tariff structure for the Kardjali Regional Waste Management Centre show that the tariff based on an acceptable affordability criterion increases from EURO 7.83 per ton in 2007 to EURO 29.55 in 2025.

The main financial parameters are summarized in the table below:

Total capital costs ‘000 €	NPV ‘000 €	IRR %	r_{EU}^* %	ISPA %
14 547	720	9.8 %	78	75.00 %

* r_{EU} represents the calculated maximum community aid rate as the intervention of the Commission in the financing of the investment.

According to the results from the sensitivity analysis it is clear that without the ISPA assistance this project would not be viable and affordable.

11. ENVIRONMENTAL IMPACT ANALYSIS

This measure is covered by the Annex I of Directive 85/337/EEC, as amended by Directive 97/11/EC. The finalization of the EIA is under preparation and it is expected to be finished in October/November 2003. The completion of the EIA is a condition to the second instalment of the advance payment in Art. 8.3.d.

The beneficiary already provided the EC with the non-technical summary on the Environmental Impact Study and with the information and minutes from the consultations with the public.

In accordance with the EC Framework Directive on Waste 75/442 as amended by EC Directive 91/556 the “polluter pays” principle of cost recovery will be respected as the measure operating and maintenance costs will be covered by tariffs charged to the waste producers.

12. COST AND ASSISTANCE (IN €)

Total cost	Private sector contribution	Non eligible expenditure	Total eligible cost	ISPA grant	Grant Rate %
14 547 162	-	-	14 547 162	10 910 372	75 %

Rate of assistance: 75 %

INDICATIVE COST BREAKDOWN:

ITEM	ELIGIBLE COSTS EURO	EXPENDITURES INCURRED BEFORE APPLICATION
Planning/design fees	n/a	
Land purchase	n/a	
Main works	9 398 453	
Plant and machinery	2 122 628	
Supervision during implementation	806 476	
Contingencies	1 045 977	
Tax/public levies	0	
Project implementation, management, training	945 752	
Other (<i>reserve for the extraction and transport of the old waste</i>)	227 876	
TOTAL	14 547 162	

13. INVOLVEMENT OF IFIs

No IFI involvement. The project will be co-financed from national sources.

14. SPECIFIC CONDITIONS RELATED TO THE MEASURE

see Article 8.3.

15. PROCUREMENT PLAN

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

ooOOOoo

Provisional Procurement Plan

Tender N°	Description of works and services to be tendered	Type of contract (works, supplies or services)	Provisional month of launch of tender (month/year)	Rate of reimbursement of invoices relating to specific contract
1	Supervision	Services	02/2004	75 % from ISPA
2	Works for Project Implementation - civil works, equipment procurement, installation, etc.	Works	06/2004	75 % from ISPA

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

Tendering and contracting will be carried out in accordance with the *“Practical Guide to contract procedures financed from the General Budget of the European Communities in the context of external actions (PRAG)”* issued by the European Commission.

The works contract will be fulfilled under FIDIC Red Book Conditions.

