

EN

EN

EN

ISPA Measure No:
2004 BG 16 P PT 005

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**

**Construction of New Cross-border, Road/Rail Bridge over the Danube River
at Vidin-Calafat**

**located in North West Region
in Bulgaria**

FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "the Commission", acting for and on behalf of the European Community, hereinafter referred to as "the Community" represented by the Commissioner for Regional Policy, Mr. Jacques Barrot, 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: 2004 BG 16 P PT 005

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

End date: 31 December 2009

Location: Vidin, North West Region

Group: Pan-European Transport Corridor IV

Article 3

Commitment

1. The maximum public or equivalent expenditure which may be taken into account for the purpose of calculating assistance shall be €225 806 452;
2. The rate of Community assistance granted to the measure is fixed at 31 % 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 €70 000 000;
4. An amount of €49 392 000 is committed from the 2004 budget under budgetary line 13.050101. Commitments in respect of subsequent instalments shall be based on the initial or revised financing plan for the measure, subject to the state of implementation of the measure and to budgetary availability.

Article 4

Payments

1. Community assistance shall cover payments on the measure for which legally binding commitments have been made by the beneficiary and for which the requisite finance has been specifically allocated. These payments must relate to the works described in Annex I.
2. Payments made before the date of signature of the financing memorandum by the Commission shall not be eligible for assistance from the Instrument for Structural Policies for Pre-accession.
3. The measure described in Annex I and payments by the body responsible for the implementation of the measure shall be completed no later than 31 December 2009.
4. The report required for the payment of the final balance should be submitted not later than 6 months after this date.
5. The advance payment is fixed at €14 000 000, which shall be transferred as follows:
 - An amount of €7 000 000 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) hereunder.
6. In accordance with Annex III. 1, Section III, point 5, the Commission will accept for this measure a total amount of advance and intermediate payments of 90 % of the total assistance granted.

Article 5

Respect of Community law and policies

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

Article 6

Intellectual property

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

Article 7

Permits and authorisations

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

Article 8

Specific conditions related to the measure

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

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

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

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

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

2. Condition on viability:

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

3. The second instalment of the advance payment is subject to:

(a) The submission of all necessary documents relating to the Environmental Impact Assessment procedures as applied in both Bulgaria and Romania, including: the non-technical summary of the Environmental Impact Study; the results of the consultations with the competent environmental authorities; the results of the consultations with the public concerned; the results of trans-boundary consultations (in accordance with Article 7 of the EIA Directives); and evidence that the decision to grant or refuse development consent has been made available to the public by the competent authorities.

(b) The submission of the Environmental Action Plan and an undertaking by the implementing authorities to take the corrective measures necessary to mitigate the impact of the project on the environment;

(c) The presentation by the beneficiary of a procurement plan, which has to be agreed by the Commission;

(d) The presentation by the beneficiary of detailed proposals for the institutional arrangements to be set up to ensure the effective future management, maintenance and operations of the second Danube Bridge, together with a timetable for the implementation of these proposals.

4. The final payment of grant is subject to the presentation of a maintenance programme for the Bridge by the beneficiary to cover a ten-year period starting from the year of completion and complying with all relevant standards including those of EC Directive 96/53/CE.

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
18.02.2005

Done at Brussels, 13-12-2004

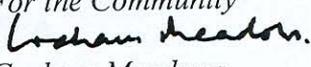
For the Recipient

Mr Veltchev
National ISPA Co-ordinator

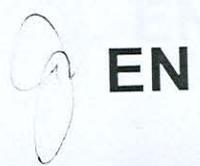
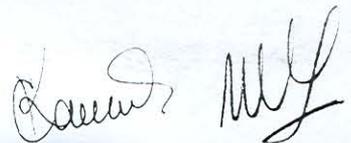


For the Community

Graham Meadows
Director General



EN



List of Annexes

Annex I Description of measure

Annex II Financing plan

Description of measure**Commission code No: 2004 BG 16 P PT 005****1. MEASURE TITLE**

Construction of New Cross-border, Road/Rail Bridge over the Danube River at Vidin-Calafat

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

2.1. Name: Ministry of Finance, Management of EU Funds Directorate

2.2. Address: 102 Rakovski Street, 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 Transport and Communications

3.2. Address: 9 Dyakon Ignatii Street, 1000 Sofia, Bulgaria

E-mail: s.kassidova@mtc.government.bg

4. FINAL BENEFICIARY (IN CASE IT IS A DIFFERENT BODY FROM THE AUTHORITY MENTIONED UNDER 3)

4.1. Name: As above

4.2. Address:

E-mail:

5. LOCATION

5.1. Beneficiary country: Bulgaria

5.2. Region: North Western Region, Vidin

6. DESCRIPTION

The project concerns the construction of a combined road and rail bridge over the Danube River between Vidin (Bulgaria) and Calafat (Romania). Depending on the final design (it is a design-build project), the total length of the bridge and adjoining structures will be up to 1440 metres in the case of the road and 2480 metres for the rail, with a main span of 180 metres.

The project is located at KM 796 on the Danube River on the route of priority trans-European Transport Corridor IV. This Corridor is part of the backbone transport infrastructure network linking South Eastern Europe and Turkey with Central Europe. Its Southern branch crosses the Danube river, which forms the border between Romania and Bulgaria at Vidin/Calafat (the River itself is also designated as a major trans-European Transport Corridor VII). The creation of a new fixed link will represent a significant development of Corridor IV and will provide an improved alternative to the traditional trans-Yugoslav Corridor X for movements between Central and South Eastern Europe.

The bridge is planned to have a capacity for 2 road lanes in each direction (3.75 m each) and for one railway track. In addition, there will be a walkway for pedestrians and non-motorised traffic (2.5m) on one side and emergency walkway (0.75m) on the other.

The project which is the subject of this financing memorandum consists of: the following components:

- main bridge structure (this is the core of the project and represents almost 2/3 of the investment);
- adjoining infrastructure to link the bridge to existing road and rail networks on the Bulgarian side of the River;
- cross-border facilities and rehabilitation of some existing infrastructure in Bulgaria (e.g. railway freight station and passenger station);

Adjoining infrastructure for road and rail in Romania is an integral part of the overall project and has been included in the economic and environmental assessments, but is the subject of a separate ISPA application by the Romanian Government. Rehabilitation and upgrading of the access roads and railways on Corridor IV leading to the proposed new bridge are also planned in both Bulgaria and Romania.

Three main technical options for a combined road and railway bridge have been investigated in the preliminary design work undertaken by the International Engineer and Management Consultant: Concrete box girder bridge with separate structure for road and rail; a single tower cable stayed composite box girder bridge with a main span of 325 m; and a double level steel truss girder bridge. The three design options will be shown in the tender documents, but as the tender will be design-build, the contractors will be allowed to propose alternative solutions that meet the functional requirements. The full functional requirements to the bridge will be provided in the Employer's Requirements, which will be an integral part of the tender dossier.

The adjoining road infrastructure in Bulgaria is around 15 km long and comprises the following components:

- a new single carriageway (4 lane embankment) connecting the existing road infrastructure to the bridge;
- grade-separated interchanges on the Vidin bypass at Vidin West, Kula road, Bregovo road, Novo Selo and Koshava rail junction.

The adjoining rail infrastructure in Bulgaria is around 11.5 km long and comprises the following main components:

- a new single track and embankment connecting the existing rail lines in Vidin with the bridge;
- a new single track through Vidin;
- a new common Romanian/Bulgarian freight station West of Vidin which is needed for, e.g., change of drivers and locomotives, and border related controls;
- upgrading the existing passenger station in Vidin to handle both international and local trains, including new platforms, additional tracks and modernised signalling systems;
- road over rail bridges and footbridges.

7. OBJECTIVES

The main objective of the project is to provide a new fixed link over the River Danube on priority corridor IV in order to facilitate the growth of international and regional traffic and trade between South Eastern Europe and Turkey and Central Europe. The project will contribute to the development of the regional transport system and will be the only new bridge over the Danube along the 430 Km common border between Bulgaria and Romania.

Thus, the project is expected to facilitate the integration of the future EU members Bulgaria and Romania and other countries. The gains will take the form of closer ties with the EU in the coming years with the aim of creating better economic opportunities for Bulgaria and Romania as a whole, as well as for the adjacent regions of these two countries, which are affected by very high unemployment levels.

At present few options for crossing the Danube either by ferries or bridges exist in the region. The nearest bridge is the Russe-Giurgiu bridge, almost 300 km further downstream from the proposed site of the new bridge. The existing ferry service between Vidin and Calafat offers an unreliable and high-priced service for road traffic. At present there is no rail traffic between Vidin and Calafat, as the rail ferry service was closed down approximately 10 years ago. The new bridge will thus restore a missing rail link on trans-European corridor IV.

The construction of a combined road and rail bridge - together with the other planned or on-going projects for upgrading the main road and rail access networks leading to the bridge in both Bulgaria and Romania - will eliminate a bottleneck for transport movements, in particular for international road and rail freight transport.

The main objectives of the project can be summarised as follows:

- To further the integration of the Bulgarian road and rail networks with the pan-European transport networks via the development of transport Corridor IV.
- To cater for the growth in road and rail traffic in Bulgaria and Romania and facilitate trade and economic development through the improvement of conditions for international traffic.
- To remove a specific bottleneck in the main network and improve traffic flows in the direction of Romania and Central Europe.
- To restore a cross-border rail connection between Bulgaria and Romania.
- To further the introduction of EU standards in the transport sector of Bulgaria and thus generally support the country during the pre-accession period.
- To help generate temporary and permanent employment and give a boost to the local, regional and national economies.

8. WORK SCHEDULE (INDICATIVE)

Lot 1 – Main Bridge

Category of work	Start	Completion
Design studies & tender documents	January 2003	May 2004
Land acquisition	July 2003	December 2004
Environmental Impact Assessment	Preliminary Oct. 2000	March 2002
	Final June 2004	October 2004
Design & construction	July 2005	September 2008
Operational phase	2008	-

Lot 2 – Adjoining Infrastructure

Category of work	Start	Completion
Design studies & tender documents	January 2003	July 2004
Land acquisition	July 2003	December 2004
Environmental Impact Assessment	Preliminary Oct. 2000	March 2002
	Final June 2004	October 2004
Construction	September 2005	March 2008
Operational phase	2008	-

9. MAIN ELEMENTS OF COST-BENEFIT ANALYSIS

The cost/benefit analysis includes costs and benefits for the full project and not only the part of the project included in the ISPA application submitted by Bulgaria. In the analysis, the construction of the bridge and adjoining infrastructure in both countries is compared with a reference scenario (continued ferry service).

The economic rate of return has been estimated in the central case at around 8.5% and the total benefit/cost ratio around 1.44 (real discount rate of 6%). The future traffic development for all modes - and not just truck traffic - is very important for the results of the economic analyses.

The majority of the economic benefits are linked to the time savings for long distance trucks and other road traffic, reduced rail operating costs and saved costs of ferry operations. Job creation in both the construction and operational phases, represent additional benefits although they account for a relatively small share of total quantified benefits.

Both the cost-benefit and financial analyses depend fundamentally on the traffic forecasts. Existing road traffic levels in the Vidin - Calafat part of Corridor IV are modest, while there is at present no cross-border rail traffic. However, the prospects for developing this transport corridor in an economic environment with expected high economic growth rates in Bulgaria and Romania and in other countries of the region in the coming years are favourable. The potential for a rapid development of, especially long distance freight transport, on the corridor via Vidin and Calafat clearly exists, but the specific pace of traffic development for all modes is hard to predict. Traffic forecasts are therefore made with a degree of uncertainty. They are based on an extensive study carried out in 2001 and recently revised and updated. The studies considered the macro-economic situation in the region, likely growth of trade, the responsiveness of traffic growth to general economic growth, the competitiveness of alternative routes, and different scenarios for the region. The central traffic forecast is around 8400 vehicles and 30 trains per day in total by the year 2030 if a bridge is constructed.

10. MAIN ELEMENTS OF FINANCIAL ANALYSIS

As the project affects two countries, the financial analysis compares the net difference in financial revenues and costs experienced by the Romanian and Bulgarian governments (i.e. as owners of the bridges in Vidin-Calafat and Russe) with a new bridge and without a new bridge. The analyses include costs and benefits for the full project and not only the part of the project included in the present application.

The central result of the financial analysis is that the financial rate of return on total investment costs is 5.6% (FIRR/C), and on capital supplied by the two governments 8.7% (FIRR/K).

For the full project the total financial cash flow for the two governments will be positive in all years except for the construction period and the first 3-4 years of operation - even with a rather limited level of traffic in the first years. This implies that a traffic level of about 7-8 times the low level of today can balance revenues and costs (including loan payments) on an annual cash flow basis. The main financial project risks are related to the development of long distance road freight transport and to construction costs, and the sensitivity of the results to changes in these and other key variables has been tested.

11. ENVIRONMENTAL IMPACT ANALYSIS

A Preliminary Environmental Impact Study (PEIS) was carried out as part of the feasibility study on the project. The PEIS was initiated during autumn 2000 and finalised in August 2001. Public consultations were held in Vidin and in Calafat. The results of the study and consultations with the environmental authorities is documented in Decision No. 9-3/2002 from the Bulgarian Ministry of Environment and Water, which is formulated as a permit to proceed to the next stage of design and preparation of a final EIA report. Development consent was issued by Vidin municipality in March 2002.

The final EIA study, which covers the impact of the bridge options as well as adjoining infrastructure on both the Bulgarian and Romanian sides of the river, was started in June 2004 and completed in September. The report has been made available for public discussion in Bulgaria and Romania.

The Bulgarian Ministry of Environment will issue a statement on the final EIA report and public discussions. Following public hearings in Calafat, the Romanian Ministry of Water and Environmental protection will issue an environment permit. The final Romanian water management permit for the Romanian part of the river will be issued after submission of the technical solution for the bridge foundations.

A number of measures were proposed in the preliminary EIA study to mitigate any adverse environmental effects. It is estimated these will account for some €4 million of the project's total costs. Additional measures, in particular relating to the adjoining infrastructure, are likely to be recommended by the final EIA study. An Environmental Action Plan will be elaborated to ensure the implementation of these measures.

12. COST AND ASSISTANCE (IN €)

Total cost*	Private sector contribution	Non eligible expenditure#	Total eligible cost	ISPA grant	Grant Rate %
234 245 036	-	8 438 584	225 806 452	70 000 000	31

* excludes cost of adjoining infrastructure in Romania

land purchase and technical assistance for design (the latter has been financed under a 2001 ISPA TA measure).

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

Item	Estimate (Euro)
Planning design fees	*
Land purchase	+
Site preparation	-
Works – Lot 1 (main bridge)	140.000.000
Works – Lot 2 (adjoining infrastructure Bulgaria)	54.000.000
Plant & machinery	-
Supervision and technical assistance (Lots 1&2)	10.000.000
Contingencies (Lots 1 & 2)	21.806.452
TOTAL	225.806.452
*€5.4million financed by 2001 ISPA TA measure + financed by Bulgarian Government budget	

13. INVOLVEMENT OF IFIS AND OTHER FINANCING SOURCES

The construction phase of the second Danube Bridge project is to be co-financed by the European Investment Bank (EIB), Kreditanstalt für Wiederaufbau (KfW) and the Agence Française de Développement (AFD), in addition to financing from the Bulgarian Government budget.

Financing for the project secured from external sources is as follows:

The EIB has agreed to provide a total loan of €70 million (first tranche of €50 million signed December 2000 and second tranche of €20 million signed June 2004).

KfW grant assistance of €2.045 million was signed in September 2002 within the Framework Agreement for Economic and Financial Co-operation between the Federal Republic of Germany and the Republic of Bulgaria. In addition, a loan agreement for €18 million was concluded with KfW in June 2004.

An AFD grant of €5 million was agreed in April 2002.

14. SPECIFIC CONDITIONS RELATED TO THE MEASURE

Please refer to Article 8 of the financing memorandum.

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)
1	Lot 1 – Design-build contract for main bridge	Works	May 2004
2	Lot 1 – Independent supervisor engineer (ISE) and independent checker engineer (ICE)	Services	
3	Lot 2 – Contract for adjoining road and rail infrastructure	Works	
4	Lot 2 – Independent supervisor and engineer (ISE)	Services	

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