

**MEETING OF THE TASK FORCE ON IMPLEMENTATION  
and  
8th ANNUAL REVIEW MEETING  
ERDF and Cohesion Fund Operational Programmes**

**Sofia, Council of Ministers, "Granitna" Hall, 4 February 2016**

**KEY ELEMENTS TO BE FOLLOWED UP**

**OP TRANSPORT**

Absorption/certification rate increased from 66% to 80%. €231 million were certified in 2015 (€15 million below target). Commercial contracting is at 105%. There are three ongoing major project modifications. These include: reducing the scope of part of the of the construction works of the railway line "Plovdiv - Burgas" (taking out three traction substations and railway junction "Burgas"), reducing the scope of part of the building activities of the railway line in "Septemvri - Plovdiv" (taking out four overpasses), and phasing of the major project "Western section of Sofia Ring Road" (Lot 2). The amendment requests are currently being processes by the Commission.

The program funded 25 investment projects (including 11 major) of which 19 are completed. Four road projects, one intermodal (metro) project and two maritime/Danube navigation projects were completed in 2015. 6 of the 25 projects are delayed. These include delays in three railway projects (Parvomai – Svilengrad, Plovdiv – Burgas and Septemvri – Plovdiv) and in three road projects including: the Montana bypass, West arc Sofia Ring for Kalotina (which will be phased) and Gabrovo Ring Road/Bypass. On roads, all Maritsa and Struma Lots are completed, which is good news. Five of the six delayed projects are likely to be completed by end 2016 (all at +50% physical implementation). However, it is most likely that the Gabrovo Bypass will not be completed by end 2016 (physical implementation at only 21% as of end 2015). These delays imply budget shortages that need to be filled by the MA and/or beneficiaries.

**OP REGIONAL DEVELOPMENT**

In terms of financial progress in 2015, absorption rate for the OP increased only slightly – from 63% to 72%. Over EUR 130 million were certified and loss of funds at closure is now most probable, although unable to estimate the precise figure at this stage. Commercial contracting of the programme reached 105% and 99% of all funds have been made to the beneficiaries by 31.12.2015.

In terms of physical progress in 2015, there has been a steady progress in tourism (PA 3 – 16% increase in absorption) and TA investments (PA 5 – 17%). The OP's output indicators still need to see if they shall be achieved for closure of the OP – a total of 155 projects need to be finalised (74 for PA1 + 56 for TA).

Major Project North Speed was completed (almost in full) at an incredible speed of construction, hopefully not to the detriment of the quality of that road constructed.

Key issues requiring special follow up until closure and prospects for 2016- some of REGIO's recommended measures for MA were:

- Distance to target remains enormous - 376 million EUR – a huge challenge – verification and certification to the EC remains priority number one for all bodies concerned.
- There is a gap of EUR 322 M between the signed commercial contracts (1.429 B) and the payments verified so far (1.107 M). This gives reasonably good perspectives for new payments to be generated in 2016. MA must make best use of the 10% flexibility at closure for all priority axes;
- Special attention to be paid to management verifications and future certifications (upgraded Management & Control System) –MA to use the upgraded checklist for all future payments to avoid problems at closure – possible need for staff capacity's strengthening / training to carry out closure verifications of the 6 Regional offices and of the MA's relevant departments.
- Needs for setting up a more rapid verification and payment system which allows for a quick process of payments to beneficiaries are already identified now and should be looked into in order to avoid cash problems in the future, the MA should work on this.
- MA to draw lessons from the bottlenecks suffered by OPRD 2007-2013 and take action to avoid that they replicate in OPRD 2014-2020, such as:
  - Projects should start commercial contracting as early as possible – tight monitoring and follow up with beneficiaries is needed;
  - Propose improvements in the system to reduce as much as possible the duration of projects suspension due to appeals; try to avoid hundreds of irregularity signals by raising awareness of these with the beneficiaries; etc.

## **OP COMPETITIVENESS**

Progress in implementation translated in verified and certified payments has been very good in the second part, and especially in the last years, of the programming period.

A key open question to clarify before closure however remains the issue with the public procurement contracts where the Commission expects the Member State feedback. The MA informed that it in turn awaits the feedback of the Audit authority.

There are important lessons to be learned from the 2007-2013 period that should be used to increase the effectiveness and efficiency of the implementation of OP Innovation and Competitiveness. This is particularly true for the area of innovation (e.g. clusters, technology transfer, start-up and introduction of innovations schemes) and energy efficiency.

Furthermore, the two big projects of the programme, in particular Sofia Tech Park and the interconnector Bulgarian Serbia, were phased, but continue hiding potential implementation difficulties for the programming period 2014-2020.

## **OP ENVIRONMENT**

MA reported on the achieved indicators (all output indicators were reached except for the waste priority axis). Following the implementation of the action plan of the task force for better implementation, the estimated risk of loss of funds at closure is only 3% of the total allocation. MA estimates to report at closure only 2 non-functional projects (one TA under water PA and one waste project). MA highlighted the need for having good model for adequate databases in preparation for closure at the level of costs and not at priority axis level.

EC invited MA to consider the following:

- For phasing of major and non-major projects: when signing the annexes to the grant agreement a clear audit trail is needed for the physical and financial split of projects;
- In case of retrospective projects, watch out for the risk factors linked to the non-compliance with: eligibility rules, selection criteria established by the Monitoring Committee, public procurement, state aid, environmental rules, information and publicity rules and availability of documents;
- Submit the request for modification of Gabrovo MP due to the increase of the CF co-financing rate;
- Make best use of the 10% flexibility at closure for ERDF priority axis;
- Close monitoring of project's implementation and also the achievement of their results (not only of the outputs) is needed for a smooth closure process (f.i. population connected to networks);
- In case of non-functional projects, although the deadline for submitting the final implementation report to the CA is set for 30.04.2016 by BG system, the Annex to the FIR for non-functional projects should reflect the real situation at the date of the submission of the closure documents to the EC;
- As lessons learned from 2007-2013 for the 2014-2020 period projects should start commercial contracting as early as possible and tight monitoring and follow up with beneficiaries is needed;

## **OP TECHNICAL ASSISTANCE**

Absorption/certification rate was at 83.42% as of end 2015. Contracting was at 106.08% and payments to beneficiaries at 91.82% of the OPTA budget (the reference base is the initial OPTA budget after deduction of the 2013 de-commitment). There is a proposal to amend OPTA's financial plan within the 10% flexibility rule (increasing the budget of PA1 whilst decreasing the budget of PA2 and PA3. This proposal was submitted to the Commission on 30<sup>th</sup> September, 2015. The target certified expenditure for OPTA in its final year is €13.3m (ERDF) with no risk of decommitment according to the MA.

## **HORIZONTAL CONCLUSIONS AND MAIN MESSAGES:**

Several important elements to be followed up, such as:

- securing of national co-financing for projects, in particular for those that would continue to be implemented after the eligibility deadline and are not phased.
- ensuring early start of commercial contracting;
- tight monitoring and follow up with beneficiaries is needed;
- continuing the use of improved procedures at the level of MAs, etc