

STANDARD SUMMARY PROJECT FICHE

Project number: RO9807.02

Title: National Roads Rehabilitation Project

Sub-programme: Economic and Social Cohesion

Location:

DN1 - Vestem - Miercurea Sibiului (40.7 km) on corridor IV

(1998 PHARE components only)

See attached map

Objectives:

- support Romania during the pre-accession period, particularly with regard to the development of the priority transport corridors and the adoption of the *acquis communautaire*
- support the construction and upgrading of Pan-european transport corridor IV and its future integration with the Trans-European transport network of the European Union
- support Romania in complying with the objectives of the European Directive 96/53 on weights and dimensions
- support the more economic and reliable international transport of people and goods in areas of interest to the EU, Romania and the neighbouring countries
- assist in regional socio-economic development and international exchanges through the improved movement of people and goods

This project is in line with the needs for improvement of the transport infrastructure (outlined in the Accession Partnership) and with the Romanian Government strategic objective 5 "Economic and social cohesion - co-financing of transport infrastructure project along Trans-European corridors".

Background and Summary

The PHARE programme will support roads rehabilitation along the Pan-European Transport Corridor IV (Dresden/Nuremberg - Constanta/Thessaloniki/Istanbul).

The programme intends to finance 100% of the rehabilitation of about 40 additional km on the roads Bucharest - Arad to the West (section Vestem - Miercurea Sibiului). This section is seen as a missing link on the corridor, for which private financing is not likely.

An environmental impact assessment has been carried out for the investment project. Furthermore the technical design of the project is completed and the tenders can be launched in 1998 for a beginning of the works in Spring 1999.

This project is part of larger road rehabilitation programmes co-financed by the Romanian Government and three International Financing Institutions (IFIs): the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the International Bank for Reconstruction and Development (IBRD).

The **second road project** has been prepared by the National Administration of Roads (NAR) and the IFIs since October 1995. Full technical, environmental and economical assessment has been carried on several road sections of the main national network (about 3,000 km.) On this basis, the Romanian authorities have applied for external financing for about 1,000 km beyond the assessed sections which meet an economical rate of return above 15 %. Loans agreements have been signed with EIB (70 MECU, October 23, 1996), EBRD (74.7 MECU, November 20, 1996) and IBRD (130.4 MECU, July 1, 1997) Under tight constraints, the Government budget does not allow for additional funds to be allocated to project beyond the substantial amount already agreed. In order to complement government funds and IFIs financing, the Romanian Government has requested the European Commission, through the Phare Programme, to consider allocating co-financing funds to support the rehabilitation of additional sections on the Pan-European Transport Corridors.

A **third road project**, focused on rehabilitation of national roads on corridor IX, is currently under discussion with the EIB.

As per the conclusions of the EU/Romania Sub-Committee No.6 held in Bucharest on 13 February 1998, a feasibility study will be performed for the national road section Craiova - Bechet in order to assess the technical and economic feasibility of a rehabilitation project to meet conditions for international transit traffic for this section of corridor IV (branch to Thessaloniki/Istanbul).

Description:

1. DN1- Road Rehabilitation Vestem - Miercurea Sibiului (40.7 km) 30 MECU

The Vestem - Miercurea Sibiului section is located on Corridor IV (national road DN 1 km 296+292 - 307+730 and km 314+300 - 343+000). It was initially included in the First Rehabilitation Programme under EBRD financing and was not executed due to lack of funds. As such, and taking into account the on-going rehabilitation of the Bucharest - Pitesti Motorway, it remains the only non-rehabilitated section on Corridor IV between the Hungarian border and Bucharest which is the main transport axis between Romania and the European Union.

The rehabilitation of this section is a special priority for the following reasons:

- it particularly affects the principle of interoperability on the central part of Corridor IV in Romania
- it is quickly deteriorating. The economic rate of return (ERR) has been increasing accordingly and is currently above 45%.

The tender documents have been prepared and are ready. Prequalification of the contractors has already been carried out: a General Procurement Notice was published in the Official Journal of the European Union on 22 August 1997 and in two newspapers. The prequalification evaluation report has been completed in February 1998 and submitted to the EC Delegation in Bucharest. Prequalification of the consultants has also been carried out: a Tender Announcement Form was published on the Internet on 22 August 1997. The prequalification evaluation report has been completed in February 1998 and submitted to the EC Delegation in Bucharest.

This project comprises:

1.1 Road Rehabilitation Works	23.50 MECU
1.2 Works Supervision Services	3.50 MECU (including supervision on Vestem - Miercurea Sibiului and pre-feasibility study on Craiova - Bechet)
Total	27.00 MECU

The cost estimate excludes land acquisition, VAT and other taxes which are financed by the Romanian authorities.

It is expected that the works will be tendered in a single tender. Assuming a beginning of the works in March 1999, the works shall be completed in February 2002.

2. Feasibility Study DN 55 Craiova - Bechet

Project Objective: Perform a technical and economic feasibility study for the rehabilitation of the National Road section Craiova - Bechet, in view of obtaining an international financing for the works.

Project Justification:

The opportunity of this project is expressed as part of the conclusions of the Sub-Committee No.6 held in Bucharest in February 1998.

Project Background and Description:

Bechet is located on the Danube and the border crossing to Bulgaria is operated with a ferry. The national road DN 55 between Craiova and Bechet is an alternative for international traffic between western Europe and Greece / Turkey to the Serbian route or the crossing of Danube at Giurgiu. However, the DN 55 has been recently re-classified, leading to interdiction of heavy trucks and therefore to a strong restriction of the international traffic. The road is reported to be extremely deteriorated, its design being inadequate for heavy loaded trucks.

The study shall assess the precise condition of the road, traffic forecasts, the necessary rehabilitation works and costs, taking into account the environment protection requirements and particularly the safety aspects for the population of the crossed villages. An economic assessment will be performed and conclude on the economic feasibility of the proposed works.

The outputs of the study shall be:

- technical economic feasibility,
- environmental assessment (with particular emphasis on human environment)

Implementation Status:

The Terms of Reference for this feasibility study are currently being prepared by the National Administration of Roads. The cost of the study is approximately 300,000 ECU and is included in the above mentioned supervision budget ;. the study will indeed be included as an additional lot in the same tender as the road rehabilitation supervision.

Budget:

notes:

- the figures presented as IFI and Romanian financing relate to the on-going second road rehabilitation programme.

in MECU	Investment	Institution Building*	Total Phare (=I+IB)	Recipient	IFI	TOTAL
1 - DN1	27.0		27.0			27.0
1.1 - Works	23.5		23.5			
1.2 - Supervision	3.5		3.5			
2 - DN55						
2.1 - Study	p.m.					
3 - EIB					70.0	70.0
4 - EBRD					78.1	78.1
5 - IBRD					136.4	136.4
6 -Romanian Budget				197.4		197.4
TOTAL	27.0		27.0	197.4	284.5	508.9

* No Institution building and no Brussels contracting is anticipated for this project.

Implementation arrangements

The programme will be managed under the Decentralised Implementation System (DIS). The National Administration of Roads will be nominated as Implementing Agency (IA). A Programme Authorising Officer (PAO) will be nominated for the Programme by the National Authorising Officer (NAO) after consultation of the National Aid Co-ordinator (NAC).

The Programme will be managed by the National Administration of Roads (Directorate for External Financed Projects) which is managing as well the IFIs components.

Implementation scheduleRoad Rehabilitation Works: Vestem - Miercurea Sibiului

Prequalification already carried out

Start of tendering	15 July 1998
Start of project activity	1 March 1999
Completion of works	28 February 2002
End of Defects Liability Period	28 February 2003

Works Supervision Services: Vestem - Miercurea Sibiului

Prequalification already carried out

Start of tendering	1 July 1998
Start of project activity	15 January 1999
Completion of services	28 February 2003

Equal opportunity

Equal participation in the project by women and men will be ensured; women's participation will be measures through, inter alia, recording gender breakdown of trainees and consultants employed.

EnvironmentInitial Screening

An initial screening has been carried out to assess the programme's effect on the environment and has been reviewed in the IFIs appraisal of the whole project.

Environmental Impact report produced? Yes

If yes from where can it be obtained? National Administration of Roads

Major environmental effects

Distinction has to be made between the environmental impacts of the civil works themselves and the impacts due to the achievement of road rehabilitation.

The first series of impacts will be carefully monitored during the works period. The prepared tender documents provide for environmental protection measures: reduce dust levels by controlling the emissions at the manufacturing plants (crushing, asphalt plant), road watering to reduce dust levels, control of water run-off stream by installing appropriate ditches, construction of tanks collecting polluted water resulting from equipment maintenance, preventing pollution of the ground water table, controlling noise emission of equipment, implementation of an adequate traffic management system and adequate signalling, checking environmental compliance of quarries and providing re-instatement of quarries. The Supervision Consultants shall be directly involved in the monitoring of these measures.

As regards the second series of impact, it is very limited since the project involves only rehabilitation of existing roads only and does not include major realignment. The project will contribute towards improving traffic flow and vehicles will travel at optimum speeds lowering the fuel consumption rate. Smoother road pavements will reduce the wear and tear of vehicles and lower levels of metals found in the vicinity of roads.

Economic Rates of return

Road Rehabilitation Vestem - Miercurea Sibiului	40.7 km	> 45.00% ERR
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Investment criteria**1. Catalytic:**

The PHARE support will catalyse road rehabilitation on quickly deteriorating sections of the Corridor IV, for which no financing is presently available.

Of particular relevance is the fact that the Vestem - Miercurea Sibiului section is currently the only non-rehabilitated section between Bucharest and the Romanian / Hungarian border at Nadlac. The Pitesti - Vestem and Miercurea Sibiului - Nadlac sections have been rehabilitated under the first road rehabilitation programme and the Bucharest - Pitesti motorway is currently upgraded.

2. Additionality:

PHARE support has strong additionality because of the limited Romanian budget resources and as no IFI financing is envisaged for the proposed sections. In addition, private financing is not likely for national roads rehabilitation.

3. Sustainability:

The road rehabilitation works will be carried out in accordance to European norms and standards, particularly as per environment protection. The role of the supervision consultants is to make sure that the quality of the works meet the contractual requirements.

Moreover, the rehabilitated sections will comply with the EC Directive 96/53 on weights and dimensions.

As regards maintenance, the National Administration of Roads has been implementing an ambitious restructuring plan which will secure adequate planning and financial resources as well as state-of-the-art quality of road maintenance activities. This restructuring plan is based on three main aspects:

- commercialisation of periodic maintenance activities: an action plan has been agreed in 1996 with the EBRD. Independent state-owned companies have been created in 1997 within each region. These companies are being directly awarded periodic maintenance activities in a first step. Beginning with 1998, such activities will be subject to tenders. The restructuring plan also provides for further commercialisation of some current maintenance activities and works supervision services. A first interim assessment of this process has highlighted strong improvements in the quality of maintenance works carried out.
- strengthening of the Road Fund: a Road Fund Law has been adopted in October 1996 and amended by the Urgency Ordinance 20/1997 providing for a 25% tax on the refinery price of fuels, vehicle purchase fee and annual vehicle license fee. The existence of this Road Fund and the level of expected revenues considerably reduce the risks of insufficient local funds under the internationally financed road rehabilitation programmes and of inadequate maintenance resources.
- implementation of the Pavement Management System (PMS): previous PHARE programmes have supported the development and implementation of a PMS that will allow for defining maintenance strategies and improving planning activities.

4. Competition:

All PHARE-financed actions will respect the PHARE rules for procurement and award of contracts.

Conditionality and sequencing

1. The Romanian Government will ensure its co-financing commitment on the whole Second Roads Project. A status report of the financing of the second road rehabilitation programme (including contracting and disbursement records per financier) shall be presented on a yearly basis.

2. The IA shall be adequately staffed, with at least 3 qualified full-time persons dedicated to the current PHARE project. This is to be complimented, if necessary, by appropriate Technical Assistance financed by the Programme.

3. For each project, the Romanian authorities undertake to notify to the European Commission before the signature of the works contracts that land acquisitions have been completed.

4. The civil works contract will follow the FIDIC Conditions of Contract.

5. The civil works contract will be concluded in ECU.

6. Each civil works project will include an adequate independent supervision of projects. The Supervision Consultant will have the role of the Engineer as defined under the FIDIC Conditions of Contract. He will also approve the working drawings prepared by the contractor.

7. Works will be tendered to prequalified contractors with relevant financial capacity, and technical and FIDIC experience.

8. The programme will be publicised according to a publicity action plan to be prepared by the IA and endorsed by the Commission before tendering the works.

9. All measures for the traffic management during construction will be taken to allow maximum safety of all persons legally engaged in the works, the travelling public and third parties.

10. The "General Conditions relating to Financing Memorandum", in annex of the Framework Agreement signed between the Commission of the European Communities and Romania on March 12, 1991, fully apply. In particular, no PHARE funds will be used for land acquisition, Value Added Tax or other taxes.

11. The civil works contracts and related works supervision contracts will follow the international practice and therefore the Conditions of Contract will take precedence over the following provisions of Romanian Law:

- Law 10/1995, art. 5, art. 13, art.21 to art. 31, art. 40
- Government Decision HG 85/1997, Annex, point II, 1, d
- Government Decision HG 272/1994
- Government Decision HG 261/1994, art. 22A, chapter II

- Order Ministry of Finance and Ministry of Public Works (Ordin MF-MLPAT) 1743/69/N/1996 and its annex: Methodological Norms of the Ministry of Public Works as published in the “Monitorul Oficial al Romaniei” nr. 232 bis on 26.09.1996
- Order Ministry of Public Works (Ordin MLPAT) nr. 3/N12 October 1995

12. The Romanian Government undertakes to finance any additional cost which may arise after contracting in order to ensure timely completion of the project.

ANNEXES TO PROJECT FICHE

1. Log-frame in standard format
2. Detailed cost breakdown in standard format:
3. Detailed implementation chart
4. Contracting and disbursement schedule by quarter for full duration of programme
5. Relation of project with previous Phare activities and with ongoing projects financed from other sources (including govt. budget) (compulsory)
6. Feasibility/pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached
 - Iptana Search economic feasibility study attached (Dec. 1997)
 - Iptana SA environmental impact study (1995, being updated)
7. List of relevant Laws and Regulations :
 - Road fund law (law 118/96, amended by Ordinance 20/1997)
8. Reference to relevant Government Strategic plans and studies
 - Ministry of Transport - Transport infrastructure - 1997
 - Ministry of Transport - Road infrastructure - 1997