

ANALYSIS OF THE REASONS OF EXCEEDING THE BUDGET IN A WASTE MANAGEMENT PROJECT IN HUNGARY

Lecturer Ferenc SZABÓ
University of Szeged

Abstract:

In order to promote accession to the European Union, the Committee of the European Union set up a support fund within the EU Budget to assist the countries intending to join the EU in 1998-1999. The purpose of the subsidy was the development in the area of transport and environmental protection infrastructure. The „Instrument of Structural Policies for Pre-accession Countries” programme (abbreviated as: ISPA) was aimed at promoting major regional projects exceeding 5 million euros, up to 75 % of the project costs, while a prerequisite for the support was, in addition to the provision of own contribution, the availability of co-financing to be granted by national governments. In what follows, I will discuss my experiences obtained through public procurement projects in Hungary on the basis of the ISPA project entitled „The Regional Waste Management Programme of Szeged”.

Keywords: project management, waste management, financial resources

Preparation of the first ISPA projects

Preparation of the projects

Preparation of the first ISPA projects began as early as in 1998 when the regulations pertaining to subsidy were not yet finalized. Later on, this led to a number of problems and confusion. Beneficiaries of the first projects connected to environmental protection were those local governments and consortia of local governments contacted by the Ministry of Environmental Protection that had already had some concepts connected to regional development. Following a preliminary establishment of contacts with the purpose of information dissemination organized by the Ministry of Environmental Protection, experts paid this time by the EU elaborated project proposals that were adopted in Brussels in 1999.

The final version of the „Practical Guide” (abbreviated as: PRAG) that was designed to regulate the utilization

of ISPA support was published only toward the end of the first half of the year 2000. Therefore the beneficiaries, upon recommendation of the ministry representatives, resorted to working out the detailed project documentation required for approval according to the Phare rules then in force. This entailed the re-working of projects in the meantime, for example, the waste management project of Szeged had to be re-worked considerably on 3 or 4 occasions, not to mention the numerous further supplements and modifications that had to be incorporated in the already finished sections of materials.

Approval of project documentations

In order to speed up the preparatory work, the Ministry included the assistance of foreign experts in 2000, again paid from EU sources. This Hungarian team of experts limited its activities in a number of cases to producing the existing documentation in a reduced form in English, which they considered better suited for

consumption by the EU decision-makers. This meant a kind of critical point in the preparatory phase because the materials thus produced were of a quality much below the expected level in terms of content and professional requirements.

Due to the default in content revealed in the course of expert review of the documentation submitted to Brussels, the first Hungarian projects received considerable criticism. In the majority of cases, this entailed another re-working of the documentation already re-drafted 2 or 3 times, this time according to the guidelines formulated by the experts delegated to the task from Brussels. The experts commissioned by the Commission of the EU took personal part in the elaboration of the final version of the waste management project of Szeged finally proposed for adoption. Experts from the Belgian company Carl-Bro spent one week in March 2000 in Szeged where they managed to prepare, in cooperation with Hungarian experts, the finally accepted and finalized project documentation. Then, following a preparatory phase lasting one and a half or two years, the first projects were adopted in the fall of 2000.

The Regional Waste Management Programme of Szeged

At present, the issues of environmentally safe collection, transportation, utilization, and disposal of waste in the Szeged region have not been solved. The region is Szeged and 31 other smaller municipalities, more than 250 thousand inhabitants. The program is targeted at the creation of a safe regional waste management system, complete with the utilization of biogas, selective collection and separation of recyclable wastes, and treatment of compostable wastes, as well as building and demolition wastes for the purposes of reuse. As a result,

considerable reduction in environmental contamination can be achieved, and, as a further advantage, the amount of waste to be deposited at the landfill will be lower. The costs related to the sector can be decreased through selling recyclable waste, which, in turn, will result in considerable improvement in terms of cost efficiency.

Technical protection of the regional waste disposal site

The existing landfill can be operated as a regional landfill in the long term if we manage to find a solution to decrease the risk of environmental pollution. Therefore, a decision was made to work out a technical solution for the additional technical protection of the landfill in a comprehensive program. Its aim is to prevent the propagation of pollution both in a vertical and a horizontal direction. To achieve this objective, upper insulation of the landfill occupying an area of 24 hectares will have to be solved, together with lateral protection that will prevent rainwater from washing contaminants contained in the waste into the soil and the ground water.

HDPE foil can be used for the purpose of insulation, although other alternatives have also been considered in the course of environmental impact assessment. The risk of environmental pollution will be further reduced as a result of the planned escaped water drainage and collection system, the belt ditch system surrounding the landfill that will allow for draining the collected and possibly polluting escaped waters into the waste water treatment plant to be established on the premises of the waste disposal site. Thus, no contamination will enter the area surrounding the landfill. As a result of the measures envisaged, the danger to the environment attributed to the waste disposal site may be reduced to a minimum. The costs planned for project implementation will also contain those relating to the equipment required for

the operation of the landfill (compactors, etc.). The calculated cost of the remediation and upgrading activities project was in 2000: EUR 3,868,768, the expected time of completion was December 31, 2002.

Utilization of biogas

Several years ago, a biogas collection and utilization system was established on the waste disposal site. Collected biogas is directed to the nearest heating center (located at a distance of 4 kilometers) of the city's central heating system (boiler house), with the help of the pumping station operating on the landfill. In its present form, the system is absolutely inadequate for the given purpose, complete reconstruction and optimization will be necessary following a technical review. In addition, other possibilities of utilizing the 1.5 million cubic meters of biogas per year must also be explored (generation of electricity following collection).

The process will mainly be targeted at the generation of electric and heat energy, which will be obtained with the help of including a gas power station in accordance with the methodology described in the environmental impact assessment. The heat energy thus produced may be utilized in the green houses to be constructed in nearby areas. The expected costs of the biogas extraction and utilization system was in 2000: EUR 1,024,920; expected time of completion was December 31, 2002.

Expansion of selective waste collection

In 1997, the Environmental Management Company of Szeged launched a selective waste collection system. The first phase of the development involved a HUF 250 million (1 million euros) investment that was complemented by a subsidy of HUF 130 million (EUR 460 thousand) received from the Central Fund of the

Hungarian Government for Environmental Protection. In this project, four waste yards were established, points of selective waste collection were set up in public areas, and the investment related to the establishment of a waste separation plant with an annual capacity of 15 tonnes was completed on September 30, 1999.

After the first phase of implementation of the selective waste collection system, further developments will take place. In order to expand the system over the whole area, it will be necessary to enlarge the regional waste collection system, further waste yards and collection places will have to be established on public areas, and transportation vehicles and equipment will have to be purchased. Each settlement will be supplied with one waste yard. Special containers and waste islands will be set up on public areas for the purposes of collecting waste selectively from a total of 120 collection points. The foreseen costs of the planned selective waste collection programme was in 2000: EUR 1,695,600, the expected time of completion was December 31, 2004.

Regional composting plant

Large amounts of organic waste are produced in the city and the nearby agricultural areas, most of which is currently deposited on the landfill. In line with the increasing rate of wastewater treatment capacities, the amount of wastewater sludge also increases. According to plans, the majority of the organic wastes generated will be composted, whereas dried sewage sludge will be stabilized through mixing it with the required quantity of organic matter, and utilized as a covering layer on the landfill. The planned capacity of the composting plant is 30 thousand tonnes per year. The planned cost was in 2000: EUR 2,633,885, time of completion: December 31, 2004.

Building and demolition waste treatment plant

The estimated annual amount of building and demolition waste is 61 thousand tonnes. According to available information, that amount is used to fill up deep-lying stretches of land, demolished construction sites and pits. The process as a whole has not been controlled. According to plans, a technological solution will be introduced that is suitable for crushing and separating demolition wastes (by specific weight and size).

The treatment plant is designed to treat a daily amount of 300-310 tonnes of rubble, which is in line with the planned amount mentioned above. Thereafter, these materials will be suitable for reuse under controlled conditions as basic materials for various construction activities. Planned cost was in 2000: EUR 372,891, time of completion: December 31, 2004.

Remediation of landfills and contaminated areas on small-sized settlements

There are a number of small settlements within the Szeged Region that have no suitable landfills of their own. Municipalities used to assign abandoned areas filled with dead water for this purpose, areas which could not be utilized for any other purpose. This entailed considerable contamination of the environment. Assessment of the impact of such landfills on the environment and remediation of such landfills represent a task that is crucial from the point of view of eliminating the contamination of the surrounding environment. Planned cost was in 2000: EUR 3,201,868, expected time of completion: December 31, 2005. [1]

Preparation and approval of tender documents

Following the stipulation of contracts (Financing Memorandum) with

the beneficiaries, preparation of the tender documentation began on the basis of an approved public procurement plan in 2001. We divided the project into five separate tender packages, three of which relate to actual investment activities, the other two contain the implementation of additional tasks: engineer; PR; (construction no. 1); procurement; remediation (construction no. 2).

The Engineer Tender will be used to select the cooperating partner who will be responsible for the coordination, professional management and supervision of the project as a whole. The PR (Public Relations) Tender addresses project communication, environmental awareness raising, readiness of the population for cooperation which will be necessary during implementation and, later on, operation.

All construction and engineering works connected to the development, including the additional technical protection of the existing landfill, have been specified in the Construction Tender (No. 1). The Procurement Tender includes the activities pertaining to the procurement of all items of equipment, machines, machinery, vehicles, and other tools related to project implementation. Tasks associated with the remediation of the landfills and contaminated areas on small-sited settlements will be accomplished by the winner of the Remediation Tender (Construction Tender No. 2).

The tendering procedure may be accomplished, depending on the amounts stated in the effective procedure regulations, by way of issuing a simplified call for Hungarian tenderers or by publishing open international calls for tender. In the case of Szeged, the simplified procedure could be applied to the „Engineer tender”.

As a consequence of the multi-round mechanism of negotiation, the procedure took a rather lengthy time to

accomplish. Although the tender documents were prepared in a short time — the first two were already completed in the fall of 2001, the relevant calls were published only one year later. Evaluation of the proposals received for the Engineer and the PR Tender, selection of the partners and stipulation of the contracts have been completed. [2]

Experience drawn from tender evaluation

Evaluation of the tenders

The Evaluation Committee consists of the experts granted a right of vote, proposed by the Ministry and the local government. The list of experts was approved by the Delegation of the EU to Hungary on the basis of the submitted curricula vitae and the references. The chairman and the secretary of the Committee, who had no right to vote, were appointed by the Ministry in each case. A delegated EU expert with no voting right took part in the evaluation as a monitor whose task was to check the process of evaluation and adherence thereof to the rules, and also to officially inform the Delegation. In most cases, a further representative or two of the Delegation were present as observers. In addition, a limited number of ministry or local government observers were allowed to attend the meetings. Of course, all parties involved, including evaluators and observers, were admitted to the meetings of the Evaluation Committee upon strictest adherence to confidentiality rules.

The aspects of evaluation were presented in detail in the calls for tenders. The Evaluation Committee accomplished evaluation always in strict compliance with the aspects specified in advance, as a deviation from those aspects or an inclusion of new aspects would have required a repeated evaluation. Following evaluation, the minutes of evaluation and the proposals

received were submitted to the Delegation for approval. Announcement of the awards and stipulation of contracts thereafter could take place only after an expert review of the Committee evaluation and the approval of same. Until all these actions were completed, the persons taking part in the work performed by the Committee were bound by full confidentiality.

In the case of Szeged, the construction tender has been announced and the documents received have been assessed. Because the figures proposed considerably exceeded the budget, the Evaluation Committee declared the tender procedure unsuccessful. Supported by the consent of the representatives of the Ministry of Environmental Protection and Town Planning, the local government proposed the ISPA Executive Organization (IEO) to launch a negotiation procedure. Simultaneously, experts began to investigate the issue of excess in expenditures in the budget in view of the fact that this problem was encountered in all Hungarian projects. The local government, the ministry, and also the EU have completed an investigation of the reasons. Furthermore, the Cabinet of the Prime Minister included independent experts to assess the situation.

The procurement tender was submitted for approval more than a year ago, it is expected to be ready for announcement in the first half of the year. The remediation tender is still in the preparatory phase. Currently, harmonization talks are held with the authorities concerned. Hopefully, we shall be able to submit the documentation during the summer and announce the call for proposals following its approval, before the end of this year.

Examination of the causes resulting in excess in budget

On the basis of the conclusions of the investigations performed by the local government and the ministry, a proposal was prepared for the IEO concerning the evaluation of the construction tender. The following conclusions were drawn in the course of the review of project planning and budget allocation.

In general, it can be stated that the budget indicated in the documentation is insufficient in terms of covering the costs of implementation owing to the economic and social processes that have taken place since the preparation of the Hungarian ISPA projects. In addition to identifying the reasons for excessive budget planning, the investigation also served the purposes of preparing new budget plans on the

basis of an analysis of the potential effects of the factors listed below:

- inflation
- changes in exchange rates
- cost increase stemming from a change in technical requirements
- changes in costs resulting from legal rules
- entrepreneurial expectations connected to project size and the ISPA support

In order to assess the effect of inflation, we applied the inflation rates characteristic for the building industry (source: Central Statistical Agency), and determined project costs on the basis of the prices prevailing in the year 2003. The index of inflation was selected with a view to the fact that the investment costs of the project were determined on the basis of the prices in 1999 (table 1).

Table 1

Building industry price indices (previous year = 1):

Denomination	Investment price index	Building industry price index	Machinery price index
2000	1.086	1.112	1.060
2001	1.069	1.101	1.036
2002	1.040*	1.045	1.030*
2003	1.042*	1.050*	1.030*
Index for conversion from various initial years to 2003 price			
From a base in 1999	1.258	1.343	1.165
From a base in 2000	1.158	1.208	1.099
From a base in 2001	1.084	1.097	1.061

** Estimates by ÖKO Rt. on the basis of data from years 2000 and 2001

Changes in exchange rates

Considering an identical investment in HUF, the costs of investment in euros may have been higher by as much as 8 %. The conversion rates were usually fixed in the project. The exchange rate to be applied in 2003 is HUF 244.3 to one EUR.

Relying on the specificity of foreign economic and market conditions and certain development activities, we performed a comprehensive review of

the project budget. Recent and currently effective prices were obtained for the individual tasks, and the information obtained was used for a complete recalculation of the investments envisaged.

Expected changes in the costs pertaining to the construction tender

Owing to its complexity of development, the construction tender is broken down into five separate lots, bids for which can be submitted

independently from the other lots. Their budget in 2003 would have shown the following figures if the technical solution contained in the original documentation had been applied:

- LOT no. 1 Biogas utilization
- LOT no. 2 Infrastructure for reception area
- LOT no. 3 Waste and escaped water purification plant
- LOT no. 4 Supplementary insulation of waste disposal site
- LOT no. 5 Establishment of composting plant

Establishing the regional landfill (table 2):

Table 2

Investment costs (in 1000EUR)

Denomination					
	1999	2000	2001	2002	2003
LOT no. 1	990	1,075	1,149	1,195	1,246
LOT no. 2	337	366	393	407	424
LOT no. 3	282	307	327	340	355
LOT no. 4	2,843	3,087	3,300	3,433	3,5767
LOT no. 5	2,576	2,797	2,990	3,110	3,240
Total	7,028	7,632	8,159	8,485	8,842

According to our calculations, the data indicated in the table are in full compliance with the approximately 40 % rate of cost increase foreseen as a result of the external inflation effects and the changes in currency exchange described above.

The next table also contains the expenses that relate to the investment as a result of the changes pertaining to the technical content in each chapter. With reference to the changes in legal regulations that took place in the meantime, the local inspectorate of environmental protection approved the implementation arrangement of insulation layers with a significantly higher technical content, compared to that described in the original documentation submitted in 1999. Furthermore, the EU experts (Carl-Bro) determined a significantly higher calculated amount of materials delivered for composting. These

changes, and especially the first among them, have resulted in dramatic increase in the costs relating to tasks concerning both the disposal site and remediation.

Regulations considerably affecting the project costs

- Order no. 22/2001. (October 10) KöM on the rules of waste disposal, as well as on closing down and follow-up of landfills

- Order no. 5/2002. (October 29) KvVM on the detailed technical rules of establishing and operating certain facilities used for the treatment of municipal solid waste

Due primarily to the changes in legal regulations referred to above, our detailed calculations should include the following costs in the case of the construction tender (in addition to the factors considered in the preceding table; table 3):

Table 3

Investment costs (in 1000 EUR)

Denomination						Calc. For 2003
	1999	2000	2001	2002	2003	
LOT no. 1	990	1,075	1,149	1,195	1,245	393
LOT no. 2	337	366	391	407	424	1,419
LOT no. 3	282	306	327	340	355	275
LOT no. 4	2,843	3,087	3,301	8,971	9,347	275
LOT no. 5	2,576	2,798	2,991	3,110	3,241	2,700
Total	7,028	7,632	8,159	14,023	14,612	14,612

The foreseen price of the original technical solution EUR 8,842,000
Increase due to changes in regulation in 2001 EUR 5,771,000
Overall investment costs foreseen in 2003 EUR 14,612,000

The analyses clearly showed that no considerable cost increase can be determined in four out of the five lots of the construction tender (viz., lots no. 1, 2, 3, and 5), compared with the original calculations. The changes are exclusively the result of the effect of inflation and the unfavorable changes in exchange rates. Only lot no. 4 related to the insulation of the disposal site shows an extraordinary increase in costs amounting to several times of the figures in the original budget.

This is explained by Order no. 22/2001. (October 10) KöM on the rules of waste disposal, as well as on the closing down and follow-up of landfills because the inspectorate of environmental protection of first order approved the subsequent insulation of the disposal site under much stricter constraints than the conditions contained in the approved original documentation. The new arrangement of insulation layers and the additional technical protection, together with the implementation by 2003 of the geo-grid and the monitoring net for the detection

of any damages have increased the original budget by nearly three times.

On the whole, it can be concluded that a part of the proposals received within the framework of a public procurement procedure did not contain excessive figures, rather, it was based on realistic calculations and professionally correct prices. [3]

Expected changes in the costs pertaining to the procurement tender

The tender for the procurement of machinery and equipment involves the purchase of tools, equipment, predominantly vehicles, machinery, containers necessary for the implementation of the project, and also some items of technological equipment that are not included in the construction tender. The tender documentation has been prepared, its approval is currently under way. In the event that Order no. 5/2002. (October 29) KvVM on the detailed technical rules of establishing and operating certain facilities used for the treatment of municipal solid waste will be fully complied with, significant

increase will be foreseen in the technical content. According to calculations, the following costs are foreseen.

Procurement tender (Table 4):
 LOT no. 1 Vehicles

LOT no. 2 Expansion of the selective waste collection system
 LOT no. 3 Equipment for the stone crusher
 LOT no. 4 Equipment and machinery for the composting plant

Table 4

Investment costs (in 1000EUR)

Denomination					
	1999	2000	2001	2002	2003
	Using the established price index for calculation				
Procurement tender	2,824	2,993	3,101	3,194	3,290
Procurement tender	Calculations prepared in accordance with the new regulatory provisions				
LOT no. 1					3,277
LOT no. 2					925
LOT no. 3					363
LOT no. 4					544
Total:	2,824	2,993	3,101	3,846	5,109

Expected changes in the costs pertaining to the remediation tender

We submitted the permit plans of the remediation tender for permission to be granted by the authority for environmental protection last year. Thereafter, these plans were withdrawn and reworked in accordance with the changes in regulation mentioned above. 80% of the new plans have been prepared, and the costs for the year

2003 were calculated in accordance with the subsequent changes in regulation. The costs indicated in the table below will incur in the event that the whole contaminated area identified in the environmental review is to be supplied with the upper insulation according to the new arrangement of insulation layers (table 5).

Table 5

Investment costs (in 1000EUR)

Denomination	1999	2000	2001	2002	2003
	Using the established price index for calculation				
Remediation tender	3,469	3,767	4,027	4.188	4.364
	Calculations prepared in accordance with the new regulatory provisions				
Remediation of landfills on 26 settlements					14.025
Establishment of waste yards					4.340
Establishment of waste collection islands					121
Total	3,469	3,767	4,027	12.352	18.486

Of course, the above costs can be reduced significantly if insulation is applied on the basis of the findings of the environmental review only in justified cases, i.e., where pollution of the environment is detected. Such cases have so far occurred in three instances regarding the approximately thirty landfills. As for the rest of the landfills, considerably cheaper harmonization with the landscape — performed by way of landscaping and earth covering — may be a sufficient measure. [3], [4].

Evaluation of completed bids and bids in progress

Repeated Construction Bid no. 1

Construction Bid no. 1 was repeated in two stages during 2004. In order to speed up the repeated process, we managed to invite applications for activities related to building the landfill infrastructure (those belonging earlier to LOT 2) under this new Construction Bid no. 1 within an accelerated procedure, and these activities were completed already in January 2005. Further activities were announced under a new Construction Bid no. 2. A contract was signed with the successful applicant in June 2004, however, activities commenced only in the summer of 2005, with considerable progress being achieved as late as in September 2005, more than two years after the first procedure failed. Of course, the winning consortium involved in the implementation activities is responsible for the latter one year delay caused by their failure to have the execution plans prepared in time. It also appears likely that they won a number of projects and ran short of resources needed to commence with the activities.

Changes in costs can be considered favourable owing to the fact that significant savings were realized on the anticipated costs calculated for 2003 and presented earlier, in terms of the contracts concluded on the basis of

specific proposals. However, it appeared in the case of both tenders that the winning applicants underestimated the investment to be made and presented their claims for extra expenditures already in the meantime. The given type of EU subsidy does not, however, provide ample opportunities for such extra claims, thus it can surely be expected that the parties involved in implementation of either project will have to assume losses. According to information spread in relation to Bid no. 1, losses will amount to about 100 thousand euros (25-30 million HUF). As regards Construction Bid no. 2, the scale of the activities indicates losses in an amount of more than 1 million euros (300-400 million HUF).

Change in the public procurement programme

After Construction Bid no. 1 had been repeated, the original public procurement plan was changed and the following bids were, or will soon be, announced: engineer; PR; construction (no. 1); Construction (no. 2); procurement; selective waste collection system construction works (construction no. 3); remediation (construction no. 4).

Those of the projects that have been completed (Engineer, PR, Procurement) were realized within the originally foreseen and approved budget; where losses arose (Construction Bid no. 1) they were borne by the contractors. A similar process is expected to take place in the event of ongoing Construction Bid no. 2, although the contractors concerned appear to go out of their way to minimize losses or to have the beneficiary or the government to assume these losses.

Due to technical reasons, minor activities of the remediation project (earlier Construction Bid no. 3) concerning the construction of waste yards and waste islands have been removed from the project (new

Construction Bid no. 3), again, in order to accelerate realization, since the related tools, containers had been delivered within the procurement tender more than a year ago. Announcement

of the remediation project (new Construction Bid no. 4) may, however, take some more time because of the extremely lengthy licensing procedure (Table 6).

Table 6

Costs calculated originally or in 2003, compared to contractual costs of the actually realized projects (exclusive of VAT/other taxes)

<i>Contract title/ Contractor's name</i>	<i>Calculated amount</i>	<i>Amount fixed in contract</i>	<i>Deviation</i>
Engineer Technoplus Kft.	–	182,150	–
PR Noguchi & Peters Com.	–	192,314	–
Construction Contract no. 1. Strabag Rt.	1,418,851	1,194,000	–224,851
Construction Contract no. 2 ; Szeged 2004 Consortium			
LOT 1	393,148	566,685	+173,537
LOT 2	275,118	707,188	+432,070
LOT 3	9,825,261	8,206,193	–1,619,068
LOT 4	2,700,009	2,466,246	–233,754
Total:	13,193,536	11,946,312	–1,247,224
Contracts on equipment purchase			
LOT 1 M-U-T Hungária Kft.	3,277,527	2,748,753	–528,774
LOT 2 Avermann-Horváth Kft.	924,928	1,107,500	+182,572
LOT 3 M-U-T Hungária Kft.	362,670	262,067	–100,603
LOT 4 M-U-T Hungária Kft.	544,412	475,680	–68,732
Total	5,109,537	4,594,000	–515,537

Total savings of completed and ongoing projects against adjusted calculations for 2003: EUR 1,987,612

Summary

Some sections of the ISPA project entitled „Szeged Regional Waste Management Program” were subjected to review and subsequent analysis

owing to certain difficulties encountered in the course of the public procurement procedure. A review of the preliminary costs calculations and re-calculation thereof using currently effective prices

led us to the following conclusions. The preliminary costs calculations performed in 1999 were correct and had been prepared on the basis of a thorough consideration of the then available data and information. This is confirmed by the fact that they passed all of the numerous domestic and EU expert filters and reviews, and were approved in 2000.

The reasons related to exceeding the budget are primarily associated with the lengthy preparatory procedure and the complicated approval mechanism. One can hardly understand why the majority of the projects prepared in 1998 and 1999, and approved in 2000 have not been launched even in 2003. In the course of determining the actual and direct reasons related to exceeding the budget, we arrived at the following conclusions:

- The impact of inflation and changes in foreign currency exchange rates on the budget prepared using 1999 prices has resulted in a total 35-40 % cost increase by 2003.

- Changes in legal regulations pertaining to waste disposal (Order no. 22/2001. (October 10) KöM) have doubled the figures contained in the preliminary calculations concerning landfill insulation and tasks connected to remediation.

- As far as procurement of equipment is concerned, the new regulation on the rules of establishing and operating certain facilities used for the treatment of municipal solid waste (Order no. 5/2002. (October 29) KvVM) has brought with it a further 50 % increase in costs.

Pursuant to the above statements of the assessment, experts from the local government as beneficiary and those from the Ministry of Environmental Protection did not deem a repeated tender procedure necessary, however, the representative of the Delegation of the EU to Hungary insisted on repeating the procedure, which resulted in a further one-year

delay. Their main argument was based on the presumption that a repeated procedure would open the way to considerably lower prices.

Indeed, the repeated tender procedure concerning the original Construction Bid no. 1 did result in cost savings. These savings, were, however, due to significantly lower cost estimates calculated by the winning bidders in their proposal compared to the expenses that actually incurred. The reason for this is unknown to us. It may be related to a certain level of insufficient expertise, a lack of experience, or a simple motivation to acquire markets. Anyway, concluding a contract for the earlier, higher price that was closer to a realistic one required for producing the actual technical content involved, would have been a better option. Now, work could proceed with fewer conflicts and under more favourable conditions from the point of view of actual implementation of the proposed technical content.

Therefore I find it appropriate to re-state my firm view, also formulated earlier, that repeating the procedure was unnecessary. The advantages related to it appear beneficial only at first sight. An assessment of the actual risks and the possible damage drive one to a straightforward conclusion.

In summary, an analysis of the process of preparing and implementing the public procurement procedure indicates that the costs foreseen in the calculations made in 2000 actually were one and a half times or twice higher in the course of implementation during the period from 2004 to 2006, regardless of the savings realized against adjusted calculations for 2003. The given ratio may become even less favourable as the remaining tender procedures take place, since remediation costs are expected to rise several times higher than originally calculated owing to the changes in legal settings that have been made in the meantime.

REFERENCES

[1] Szeged Regional Waste Management Programme ISPA project documentation, 2000.

[2] Public Procurement Plan, Szeged Regional Waste Management Programme, 2000.

[3] A 2000. évi ISPA projektek költségkalkulációjának szakértői vizsgálata (Expert Examination of Costs Calculation of 2000 ISPA Projects), ÖKO Rt. Budapest, 2003.

[4] Az 1. sz építési tender költségtúllépésének szakértői vizsgálata, Szeged térségi hulladékgazdálkodási programja ISPA projekt, szakértői jelentés, (Expert Examination of the Overcosts of Construction Tender no.1, Szeged Regional Waste Management Programme ISPA project, expert report) Keviterv-Aqva Kft, Szolnok, 2003.