Workshop on project preparation process with reference to EU and WBIF requirements

Overview of the project cycle (and a bit more)

Denis Jakubik, JASPERS
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Some notes for your convenience

• We are not trained trainers – just trying to share with your our knowledge and experience (from MS and region) in good faith

• We are not specialized in all aspects – we understand the comprehensiveness of the project delivery - particularly of the project preparation process needed to justify public investments (with a focus on attracting available and eligible EU Grants)

• For specific aspects (e.g. E(S)IA, CBA) we rely on our colleagues, Beneficiaries, TCS and IFIs – so, in addition, we facilitate the whole process

• When working with you, we expect to be considered members of your teams (to the possible extend)

• Slides are only a sort of guide (will try to follow it but can be deviations)

• The intention of the whole workshop is to be of added value for you – PLEASE INTERRUPT: ASK, CORRECT, COMMENT …

INTERACTIVITY IS THE BASIC ASSUMPTION FOR THE WORKSHOP
Project cycle Management (PCM)

**Definition (EU)**

The Project Cycle Management (PCM) represents the whole of management activities and decision-making procedures used during the life cycle of a project, including: KEY TASKS, ROLES AND RESPONSABILITIES, KEY DOCUMENTS and DECISION OPTIONS.

Project cycle management keeps projects within the policy objectives of the organization that initiated the project. It also helps projects stay relevant to the strategy that had been agreed upon, along with the needs of stakeholders and/or customers.

**EU guidelines**

In 1992, the European Commission adopted the “Project Cycle Management” (PCM), a set of project design and management tools based on the Logical Framework Approach, which was already widely used by many donors, including several Member States and the WB group.

Last Guidance of 2004 (some aspects although perhaps outdated are still relevant)

**Worth reading!**
PCM helps to ensure that:

• projects are **supportive** of overarching policy objectives of the EC and of development partners;

• projects are **relevant** to an agreed strategy and to the real problems of target groups/beneficiaries;

• projects are **feasible**, meaning that objectives can be realistically achieved within the constraints of the operating environment and capabilities of the implementing agencies; and

• benefits generated by projects are likely to be **sustainable**.
To support the achievement of these aims PCM:

- requires the active participation of key stakeholders and aims to promote local ownership;
- uses the Logical Framework Approach (as well as other tools) to support a number of key assessments/analyses (including stakeholders, problems, objectives and strategies);
- incorporates key quality assessment criteria into each stage of the project cycle; and
- requires the production of good-quality key document(s) in each phase (with commonly understood concepts and definitions), to support well-informed decision-making
Figure 5 – The project cycle, main documents and responsibilities
## Decision making process

<table>
<thead>
<tr>
<th>Stage</th>
<th>The questions to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programming</td>
<td>• What are the country’s priorities (compliance with EU, regional and national objectives)?</td>
</tr>
<tr>
<td>Identification</td>
<td>• What can be done to address the real problems of the context? To go on?</td>
</tr>
<tr>
<td></td>
<td>• Is the identified project worth financing its next stage (is there a potential “business case”)?</td>
</tr>
<tr>
<td>Formulation</td>
<td>• Is the identified project feasible?</td>
</tr>
<tr>
<td></td>
<td>• Is it worth financing its next phase?</td>
</tr>
<tr>
<td>Implementation</td>
<td>• Were expected results produced efficiently?</td>
</tr>
<tr>
<td>Evaluation &amp; Audit</td>
<td>• Were planned benefits achieved &amp; in compliance with the rules?</td>
</tr>
<tr>
<td></td>
<td>• Lessons learned for next cycle?</td>
</tr>
</tbody>
</table>
What is “Logical Framework Approach”? 

- it is an analytic process and set of management tools used to support project planning and management
- It provides a set of interlocking concepts which are used as part of an iterative process to aid structured & systematic analysis of a project or programme idea
- it should be considered an “aid to thinking” in project management
- it allows project information to be analyzed and organised in a structured way
- (LIKE PROJECT CYCLE MANAGEMENT) USED SINCE EVER BUT STANDARDISES THE APPROACH AND PRESENTATION
LF Approach and LogFrame Matrix?

LFA is an iterative process including:

- Stakeholders analysis
- Problem analysis
- Definition of objectives
- Selection of strategies

LogFrame matrix (LFM) is a way of presenting:

- Hierarchy of objectives
- Intervention logic
- Crucial external factors, critical to the project’s success (assumptions)
- Monitoring and Evaluation indicators and Sources of Verification

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**Figure 25 – Logframe Matrix – General Sequence of Completion**

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Indicators</th>
<th>Sources of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall objective</td>
<td>8</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Purpose</td>
<td>10</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>Results</td>
<td>12</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Activities (optional inclusion in the matrix)</td>
<td>Not included</td>
<td>Not included</td>
<td>5 (optional inclusion in the matrix)</td>
</tr>
</tbody>
</table>

The first column of the Logframe matrix summarises the ‘means-end’ logic of the proposed project (also known as the ‘intervention logic’).

When the objective hierarchy is read from the bottom up, it can be expressed in terms of:

**IF adequate inputs/resources are provided, THEN activities can be undertaken;**
**IF the activities are undertaken, THEN results can be produced;**
**IF results are produced, THEN the purpose will be achieved; and**
**IF the purpose is achieved, THEN this should contribute towards the overall objective**

If reversed, we can say that:

**IF we wish to contribute to the overall objective, THEN we must achieve the purpose**
**IF we wish to achieve the purpose, THEN we must deliver the specified results**
**IF we wish to deliver the results, THEN the specified activities must be implemented; and**
**IF we wish to implement the specified activities, THEN we must apply identified inputs/resources.**
LFA and LFM—Practical application

1. Not a magic solution but it is an effective analytical and management tool if appropriately applied;

2. Not a substitute for experience and professional judgment;

3. Should be applied with other specific tools:
   - Institutional Capacity Assessment
   - Economic and financial analysis (state-aid)
   - Gender analysis
   - Environmental, climate and social (NOT IN PCM) impact analyses;

4. Should be used with working techniques that promote/facilitate effective stakeholder participation;

5. The process of applying the analytical tools of LFA in a participatory manner is as important as the documented matrix output;

6. The quality of the product is primarily dependent on the skills and experience of those involved in its application;
Programming (PCM Guidelines)

The purpose (PCM Guidelines)

- Programming documents set out the strategic choices for EC co-operation, on the basis of the EU’s and the country’s priorities, making possible the setting of priorities within and across sectors and the choice of appropriate aid delivery modalities (in the context of (7-year) programming periods)

- EU Legal Framework

  - STRATEGIC OBJECTIVES ON EU, REGIONAL AND NATIONAL LEVEL CHANGE WITH TIME – SMOOTH TRANSITION MUST BE ENSURED

- Strategic planning shall be done in comprehensive way irrespectively of future sources of financing for specific projects
WBIF Guide

• Single Project Pipeline (SPP) where each country's national investment projects are being prepared and prioritised based on the sectoral priorities.

• SPP is the result of a process, starting with project identification at line ministry level, followed by a strategic relevance assessment, involvement of key stakeholders (such as the EUD, IFIs, etc.) and a prioritisation process, resulting in Single Sector Project Pipelines (SSPP).

• SSPPs are subsequently merged into the SPP which is then endorsed by the National Investment Committee (NIC) in each Beneficiary’s country.

• NIC brings together national high-level political and financial decision makers as well as the NIPACs and line Ministries of the respective sectors.

• DOES IT WORK AS INTENDED?
WBIF interventions areas stemming from the Economic and Investment Plan for the Western Balkans (EIPWB) ensure the “policy first” approach.

Sets out that significant investment should be directed towards sustainable transport infrastructure in WB.

Investments in transport to be future-proof and sustainable (through climate-proofing and mainstreaming) in line with the Guidelines for the Implementation of the Green Agenda for the Western Balkans embedded in EIPWB (e.g. rehabilitation of the rail network, deployment of Intelligent Transport Systems, multimodal transport solutions and modal shift. These investments should also be aligned with the Smart and Sustainable Transport Strategy (SSTS) priorities, the ‘do no significant harm’ principles and the Paris Agreement.)

Progress to be made on both the implementation of technical standards and connectivity reform measures (e.g. aligning/simplifying border crossing procedures, railway reform including unbundling and third-party access, information systems, maintenance schemes, road safety) - completion of the indicative extension of TEN-T Network to WB and accelerating full alignment with the EU acquis (TRANSPORT TREATY).

The regional action plans on transport facilitation, rail, road, road safety and waterborne transport and mobility shall act as frameworks for investments.
WBIF Guide  

- Overall, for Programming with reference to EC co-operation (grant financing), the eligibility is one of driving aspects

Table 1: WBIF eligible sub-sectors for public sector investments and delineation with IPA national programmes

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Sector Operational Programmes / National IPA</th>
<th>WBIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable transport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road infrastructure</td>
<td>• Roads not included in TEN-T core network</td>
<td>• TEN-T Core road network (plus TEN-T Comprehensive roads explicitly mentioned in the Flagship Annex to the EIP)</td>
</tr>
<tr>
<td>Railway infrastructure</td>
<td>• Railway stations (rehabilitation/modernisation) and railways not included in the TEN-T core network</td>
<td>• TEN-T Core railway network</td>
</tr>
</tbody>
</table>
| Maritime transport/inland waterways | • Coastal protection  
• Inland waterways not included in the TEN-T core network                                  | • TEN-T Core maritime ports  
• TEN-T Core inland waterways network (incl. ports)                                      |
| Intermodality                   | -                                                                                           | • Terminals / multi-modal hubs                                      |
| Urban mobility                  | • Sustainable urban transport systems other than rapid transit systems                     | • Rapid transit systems                                             |

- Frequently, Programming made based on available financing but not on actual priority needs, leading on sub-optimal solutions (and postponing the generation of planned benefits);

- Investments and reforms (ref to Transport Treaty) must be considered and implemented simultaneously;
• Detailed aspects are subject to further sessions covering the project preparation process

• Only main features covered
Identification and Formulation - ctd (2/3)

Practical aspects

- Sometimes, those stages can be merged (i.e. clear business case exists)
- Sometimes those stages are artificially merged

Identification

- Analysis problems, needs and interests of stakeholders.
- Sets reasonable objectives.
- Identifies project ideas consistent with the priorities.
- Ensures active involvement and discussion with key stakeholders.
- Assesses the project ideas at pre-feasibility study level.
- Select preferred STRATEGIC option(s) – potential business case
- Define what further studies may be needed (to confirm the business case)

Formulation

- For preferred STRATEGIC project options, assess all relevant aspects at feasibility study level (option analysis).
- Relevant aspects: Planning context, market/demand, engineering, social and environmental issues, climate change, operation, maintanance, economic and financial viability, etc..
- Prepare project design (considering planned implementation aspects and national legal framework)
- Prepare procurement/implementation strategy, financing plan and demonstrate institutional capacity (for implementation and O&M).
- Stakeholder consultation and approvals management
Pre-feasibility vs. feasibility study (more in next session)

Studies at pre-feasibility level (PFS):
- Pre-feasibility level studies, usually conducted during the identification phase, ensures that all problems are identified and alternative solutions (options) are assessed. They usually lead to the selection of the preferred strategic option(s) that will thereafter be studied in more detail during the feasibility study stage (potential feasible “business case” exists).

Studies at feasibility level (FS):
- Feasibility level studies should design the project in full operational detail (the scope and limits), taking account of all e.g. policy, technical, economic, financial, institutional, management, environmental, climate change, socio-cultural, O&M gender-related aspects. They should provide sufficient information to justify acceptance of the proposed project for financing (proofs that the project is feasible).

- When PFS is needed? - subject to experience and due-diligence
- Methodological guidelines for all aspects EXIST (+ national legislation)
- Good quality ToRs (including national considerations)
- Core activities of JASPERS
Main issues in Project Preparation

- Attempt to reduce the time (to political mandates (4 years)?) – ad-hoc approach (project Preparation may take many years);
- Lack of national (and in-house) knowledge of and experience in the methodologies (EU recognized) - Lack of appropriate analysis of the actual problems and needs, option analyses => pre-set solutions;
- Lack of national commitment and ownership of the process (staff turn-over?, external consultants – disharmonized approach of IFIs )
- Reluctance (and fear) of changes (new solutions / approaches including re-organisation, environment, social, climate, state-aid, operation, maintenance, affordability and sustainability) influenced sometimes also politically and by the infrastructure companies (interrelated); or the other extreme: aiming for over-ambitious requirements;
- Project Preparation (or identification and formulation) mostly seen as an unnecessary bureaucracy which takes time (and money) instead of constructing something – lack of familiarization with relevant (EU) regulations (which (mostly) reflect good practice), underestimated budgets and poor ToRs (insufficient investigation works) => inadequate quality (main issues for quality of INV GAFs and further implementation);
Implementation - (1/3)

- Not subject of the Workshop (for info only)
- Common understanding everywhere (from contract signing)
- “Visions and plans become reality” - delivers the results, achieves the purpose(s) and contributes effectively to the overall objective of the project
- When implementation starts?
  ✓ Formally: after completion of formulation (preparation of TDs?)
  ✓ Practically (and how perhaps it should be seen): at the initial project stage! mistakes of preparation result in snowball effect in implementation (time and money) and O&M (sustainability)
IMPLEMENTATION IN PCM?

- Extensive (EU) framework for preparation but fairly silent on actual implementation – why?
  - Basically, all responsibilities for actual implementation assigned to National Promoters / Authorities (also linked to national legislation) – decentralized management mode
  - However, a lot of monitoring and auditing activities!
IMPLEMENTATION IN PCM?

• Monitoring: On-going assessment of project progress towards planned results (IFIs do it as well).

• Sensible idea but large omissions are too costly and time consuming for a LEARNING PROCESS! However, close monitoring helps to re-plan (adjust) the activities and ensures “lessons learned” for the future.
Evaluation & Audit

- **Evaluation**: “An evaluation is an assessment, as systematic and objective as possible, of an on-going or completed project, programme or policy, its design, implementation and results” (OECD Development Assistance Committee).

Assessment of 5 criteria: efficiency, effectiveness, impact, relevance and sustainability of the project.

- **Audit (starts already during implementation)**:
  Primary focus on financial aspects and (sound) financial management. Assessment of legality & regularity of project expenditure and income, as well as of efficiency and effectiveness of use of funds.

**Purpose:**
1. Transparency / Accountability
2. Improve Operational Performance
As noted by the World Bank in 1998 (from PCM):
“Aid agencies have a long history of trying to “cocoon” their projects using free-standing technical assistance, independent project implementation units and foreign experts – rather than trying to improve the institutional environment for service provision…. They have neither improved services in the short run nor led to institutional change in the long run”

**National commitment, ownership and institutional capacity:**

**A BASIC CONDITION FOR PROJECT SUCCESS**

*(External TAs to provide needed support)*
Introduction into the main topics

- **TA GAFs** shall identify the scope of the activities to ensure that all the needed steps of the project preparation process are adequately performed (including consideration of the national aspects (technical and legal), including the language). Sometimes preparation done from national budgets!

- **INV GAFs** only summaries the results of the project preparation process (including the plans for project implementation and O&M)

- **IFICO** performed trainings, but it seems predominantly to NIPACs and on the level of GAFs

- The subject workshop tries to present the project preparation process through the main steps and outputs. It is not intended to go in depth for each of the steps as the participants shall not be experts in all those areas.

- **CBA GUIDE 2014-2020 and Vademecum of 2021**

- It is suggested to use the same process for all public investments (irrespective of planned potential source of financing – it can change)";
Project appraisal process (CBA Guide)
All aspects of Project Preparation included (but maybe not in a very structured way; the same with Application Forms for ESIF)

INV GAFs only summaries the results of the project preparation process (including the plans for project implementation and O&M)
### Description of the Project

The description must be structured, concise, clear and focused on key aspects: main characteristics (design specifications) and components and/or phases of the Project (if it has more than one component or phase), justification of the Project's scope and size in relation to forecasted demand, justification of options selected with respect to climate change and natural disasters risk assessment (as applicable), main beneficiaries of the infrastructure (e.g. target population served). Briefly describe and quantify as far as possible the beneficiaries of the Project, emphasizing vulnerable, disadvantaged, disabled and gender-sensitive groups.

### Description of the Action

Describe the scope of the Action, i.e. the project activities funded by the WBIF grant, split into:
- Investment: works and supplies co-financed by the WBIF grant.
- TA (if applicable): technical assistance financed in part or in full by the WBIF grant.

Describe how the supervision of works will be carried out for the works and supplies co-financed by the WBIF grant.

If the Action is not ready to start for any reason, briefly present the issues.

Ensure full consistency of the description of the Action with the cost components from section 23 – Calculation of the WBIF investment grant.

#### Investment component

For the investment component, describe quantitatively and qualitatively the works and the supplies co-financed by the WBIF grant: main characteristics (design specifications) and components, expected outcomes, how the components co-financed by the grant are linked to other Project components, location/site of the works and how they contribute to achieving the objectives of the Project. Explanatory graphs, tables or pictures may complement the description. If the WBIF grant co-finances the entire Project, specify that in clear in this section and do not repeat the description of works and supplies in this subsection.

#### TA component (as applicable)

If the WBIF grant finances TA, describe in detail the scope of each TA activity for which WBIF grant funds will be used. Specify normative provisions and standards mandatory for implementing the TA.

### Reference documents

List the documents used in drafting section 16, e.g. studies, technical documentation, statistics, strategies, action plans, etc. Indicate document title, author, issue date, and URL if available online.
## Indicative project status and planning

Complete this section in cooperation with the Lead IFI. Describe the current stage and estimated planning of the Project in line with the instructions provided below. The following key aspects should be covered in this section:

- **Technical**: status of planning for preparing the masterplan, pre-feasibility study, feasibility study and cost-benefit analysis, environmental and social impact assessment (ESIA), preliminary and detailed designs, tender documents, etc. For each technical documentation, indicate title, author, issue and approval dates.
- **Administrative**: status of planning for urban planning, environmental permit, land availability, invitations to tender, construction permit, etc.
- **Financial**: status of planning for loan agreement(s) with the Lead IFI and other IFIs financing the Project (e.g. under negotiation, signed, etc.), other donor grants, allocation from the national budget, etc.

Ensure that the Project meets the maturity requirements, according to the clarification of mature and not mature projects from the table below.

<table>
<thead>
<tr>
<th>No.</th>
<th>Project phase/criterion</th>
<th>Maturity</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Master plan or other relevant spatial planning document(s)</td>
<td>De facto not mature</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Definition of the investment project</td>
<td>De facto not mature</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Pre-feasibility Study</td>
<td>De facto not mature</td>
<td>(e.g. conclusion could be that the project is not bankable)</td>
</tr>
<tr>
<td>4.</td>
<td>Feasibility Study and Cost-Benefit Analysis</td>
<td>De facto not mature</td>
<td>(e.g. conclusion could be that the project is not bankable)</td>
</tr>
<tr>
<td>5.</td>
<td>Land ownership</td>
<td>Presumption of not mature</td>
<td>Unless land ownership can only occur after financing is secured</td>
</tr>
<tr>
<td>6.</td>
<td>Preliminary Design</td>
<td>Presumption mature</td>
<td>Unless vital elements are missing, these projects are mature.</td>
</tr>
<tr>
<td>7.</td>
<td>Detailed Design</td>
<td>Presumption mature</td>
<td>Unless vital elements are missing, these projects are mature.</td>
</tr>
<tr>
<td>8.</td>
<td>Environmental and Social Impact Assessment</td>
<td>Presumption mature</td>
<td>Unless vital elements are missing, these projects are mature (it can occur at different steps of the project cycle). An adequate ESIA must be in place to facilitate loan signing. Mature if an adequate ESIA is in place, not mature if vital elements are missing.</td>
</tr>
<tr>
<td>9.</td>
<td>Loan and grant negotiations for the investments</td>
<td>De facto mature</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Signing of loan and grant for the investments</td>
<td>De facto mature</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Procurement</td>
<td>De facto mature</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Contracting of works</td>
<td>De facto mature</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Construction and supervision</td>
<td>De facto mature</td>
<td></td>
</tr>
</tbody>
</table>

- The stage of the Project must reflect its status at submission. Previous stages/phases of the Project must be completed, including conclusions.
- Ensure fulfilment of maturity requirements, e.g. confirmation of completion of the technical documentation and tender dossiers for all components associated with the Action, availability and suitability of land ownership, loan agreements with IFI(s).
- If, for any reason, the activities financed by the grant are not ready to start, briefly present the issues.
### Institutional framework of the Project

**20.1 Description of entities involved**

Describe the entities involved in the implementation of the Project, including:
- Beneficiary(ies) authority(ies) (e.g. Ministry(ies) and department(s)),
- Owner of the construction permit(s) for the Project;
- Implementing entity(ies) or equivalent;
- Project Management Unit (PMU)/Project Implementation Unit (PIU) or equivalent;
- In case of involvement of a privately-owned company, clarify the contractual structure (e.g. concession, private-public partnerships).

### 20.2 Organisational set-up

This section should provide a comprehensive account of the organisational structure put in place for implementing the Project:
- Describe the role (tasks, responsibilities, relations between different bodies) of the Lead IFI (local/regional offices, sector manager in the Beneficiary) and other involved entities (institutions/authorities of the Beneficiary, implementing entity(ies), other donors, etc.) to demonstrate the existing capacity for implementing the Project. If applicable, describe the setup, roles, and responsibilities of the Project Implementation Unit (PIU) or equivalent structures as far as possible.
- Indicate if the beneficiary/PIU has the capacity to define the investment plan, procure and implement the Project or technical assistance is needed.
- If applicable, provide a comprehensive description of the organisational structure for operating the investment in the project area. Include existing institutional structure (e.g. ownership of infrastructures, contractual obligations to the new infrastructure, evolution of tariffs, etc.)
- Explain whether the WBIF contribution will be pooled in a common Project account with funds from the Lead IFI, other co-financing institutions or the grant will be kept on a separate account.
- Describe the flow of the WBIF contribution to entities involved, down to the final beneficiaries/recipients (particular attention should be given to this aspect).
- Clearly define the specific roles of the institutions involved in the Project;
- Ensure the institutional aspects related to the implementation of the Project, as well as to the operation of the new investments, are duly described;
- Include a chart illustrating the institutional framework of the Project.
Coherence with the WBIF objectives, EU policies, adopted national/sectoral strategies

Provide a structured, concise, and clear description of how the Project (i) addresses the WBIF blending investment priorities in line with the Economic and Investment Plan for the Western Balkans (EIP) and the Guidelines for the Implementation of the Green Agenda for the Western Balkans, (ii) meets and contributes to the fulfilment of EU policies and core directives; and (iii) is consistent with the adopted national sectoral strategy, relevant national and regional development plans and strategies, in particular those pertaining to the sector addressed by the Project.

In preparing this section, the relevance of the Project to the implementation of pertaining strategic frameworks should be addressed, including:

- The Economic and Investment Plan for the Western Balkans and the Guidelines for the implementation of the Green Agenda for the Western Balkans;
- EU Enlargement Strategy;
- Multiannual Action Plan for a Regional Economic Area;
- Common Regional Market;
- Energy Community Treaty;
- Transport Community Treaty;
- Digital Agenda for the Western Balkans;
- South-East Europe (SEE) Strategy;
- Indicative Strategy Papers (ISPs);
- Economic Reform Programmes (ERP);
- Macro-regional strategies (e.g. EU Strategy for the Danube Region, EU Strategy for the Adriatic-Ionian Region, Framework Agreement on the Sava River Basin, etc.)

- Ensure that the Project addresses the WBIF blending investment priorities, policy objectives and investment flagships of the Economic and Investment Plan for the Western Balkans;
- Ensure that the strategic justification of the Project is reliable and relevant;
- Demonstrate the Project’s compliance with relevant national legislation, EU acquis and policies and other donors’ strategies;
- Clearly explain where the Project comes from and why it is a priority for the Beneficiary and region;
- Ensure that the Project considers any special needs and responds to challenges related to any forms of discrimination and environmental impact;
- Ensure correlation between the information included in the SSP and the grant application form (e.g. Project title, total project cost).

(Indicative max 250 words)

18.3 Coherence with EU policies and core directives

Explain how the Project is coherent with and contributes to the fulfilment of EU policies and core directives (e.g. environment, climate change, state aid, public procurement), the EU pre-accession strategy and the Economic Reform Programme (ERP).

Describe how the Project will contribute to the principle of equal opportunities and prevent discrimination on any ground (e.g. gender, race, ethnicity or social origin, religion or belief, disability, age, etc.) during its development, implementation and operation.
**Project budget and financing plan**

Complete this section in cooperation with the Lead IFI. This section should provide the financial structure of the Project: the budget breakdown and the financing plan of the Project.

Include the main cost components, their description and corresponding amount in the budget of the Project. The costs should not include VAT. The cost components in the grant application form are indicative, their final composition is left to the applicant's appreciation, bearing in mind that the budget should be a good understanding of the main costs of the Project. The costs for works and supplies excluding contingencies must be listed separately from TA (detailed design, preparation of tender documents and procurement, supervision, and management). Costs for communication and visibility, evaluation and audit, contingencies should also be included in the budget. If the Project has more than one component and/or phase, the costs must be presented by project component and/or phase as separate entries in the budget (i.e. in separate rows as in the table provided below).

Provide the sources of funds for the Project in the budgeting plan. Typically, these include a national contribution, one or more loans from IFIs, the WBIF investment grant, other WBIF grants, grants from other donors, other types of finance. Create separate entries (i.e. separate rows in the table) for each source and type of funds (e.g., loan, grant) and differentiate between sovereign and non-sovereign loans, private sector financing.

The fields for sums and percentages are filled in automatically in MIS. The “Total project cost” and the “Total financing available” must be identical to be able to submit the application.

The information in this section may be indicative at the time of submission; it must be updated and confirmed by the Lead IFI before the WBIF grant is approved.

**Eligible costs**

The categories of costs eligible for WBIF co-financing refer to costs which with due regard to the eligibility criteria set in chapter 1 – Eligibility criteria of these Guidelines are necessary for implementing the Action financed by the WBIF grant. They must be reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency.

The categories of costs eligible for co-financing of the infrastructure of projects are the following:

- Works (building and construction);
- Supply (plant and machinery);
- Technical assistance for preparation of detailed design (if applicable or missing), project management;
- Supervision of works;
- Communication and visibility;
- Contingencies.

For infrastructure projects, the cost of detailed design (including final cost estimates and tender documents) is typically around 4–5% of the total estimated project cost. Construction supervision normally adds another 4–5% to the total estimated cost. Contingencies should not exceed 10% of the total investment cost (works and supplies) net of contingencies.

Attention is particularly drawn to the importance of the section “Payment of the grant from the Joint Fund” of the grant application form. This section includes the final date for contracting, the final date of operational implementation of the Action and the payment schedule, which must be provided before the application is signed by the European Commission and imposes time limits on the disbursement of the WBIF grant. The final date for contracting is the date by which all legal commitments between (i) the Lead Financial Institution and a relevant contractor or (ii) between the Lead Financial Institution and the relevant Grant beneficiary, as applicable, need to be entered into. The final date of operational implementation of the Action refers to the completion date of all contracts implementing the Action (e.g. works have been performed, supplies have been delivered, services have been provided). For grants financed by the European Commission, the final date of operational implementation is specified in the respective Financing Decision of the European Commission, and disbursements are not allowed past this date.

**Non-eligible costs**

- As a rule, the grant may cover only costs incurred after the date on which the Contribution Arrangement is signed between the European Commission and the Managers of the Joint Fund. Exceptionally, the grant may be awarded for an Action that has already begun if the applicant demonstrates and justifies the need to

**Fiscal space and debt sustainability**

Complete this section in cooperation with the Lead IFI and the Ministry of Finance. Describe the following elements:

- Public debt and debt obligations in absolute terms and relative to GDP, recent trajectory and expected medium-term trajectory, public debt levels vs. debt ceilings if applicable;
- How the sovereign or sub-sovereign loan/guarantee attached to the Project affects debt sustainability;
- Sovereign credit rating and outlook of the Beneficiary and changes over the past 2 years, if applicable;
- Impact of the Project on public debt levels (e.g., Ministry of Finance commitment/consultation). Link the Project to the medium-term budgetary programme to demonstrate its sustainability;
- Availability of budgetary funds and borrowing capacity for the Project.
## Project sustainability

Complete this section in cooperation with the Lead IFI. Describe under which conditions the Project will be sustainable when the grant support expires. Include incentives that could be necessary to enhance the sustainability of the Project.

Ensure that this section addresses the following sustainability aspects:

- **The economic viability of the Project** is confirmed with reasonable certainty, i.e., the net benefits are expected to be positive, there are no better ways of achieving the Project's purpose, and the public financial resources used for the Project are unlikely to be employed better elsewhere.
- **The Project proves to be accessible**, i.e., all financing sources are secured, and it will be financially and fiscally sustainable once in operation.
- **Environmental and social impacts** are acceptable, or, if negative impacts are foreseen, appropriate mitigation measures are proposed.
- **Satisfactory project management arrangements** will be put in place for delivering the Project to specifications, on time and on budget.
- **Organisational arrangements** for the operation of the Project will be adequate for the sustainable delivery of the proposed services.

| Economic/financial viability | Does the Project guarantee an acceptable economic (and financial, as applicable) return? Describe future revenue flows expected from the Project, ongoing operation and maintenance costs and their expected sources of finance. |
| Environmental aspects       | Has the Project considered the environmental implications so that negative impacts on the environment are either avoided or mitigated during the life of the Project? Has a public consultation process taken place? |
| Social aspects              | Has the Project incorporated mechanisms that guarantee equitable access to and distribution of the Project's benefits on a continuous basis? If the Project will generate revenue through tariffs, etc., describe the affordability approach used. |
| Institutional aspects       | Has the Project received the necessary support (both budgetary and institutional) to maintain and operate the facilities over their lifetime? |
## Risk Assessment Categories

Identify the project-related risks and how these risks will be mitigated. Assess how seriously the identified risks may influence the Project: High (H), Medium (M) or Low (L).

Address the following risk categories in the grant application form:

- **Political risks**: including but not limited to the gap between legislation and/or standards of the Beneficiary and the EU and pace of convergence; policy changes; administrative changes.
- **Economic risks**: Describe how changes in macroeconomic conditions or policies may affect the Project: energy poverty, etc.
- **Financial risks**: Focus on the following elements: credit and currency risks related to beneficiaries; risks linked to financial institutions (intermediaries), notably the percentage of expected and unexpected losses covered by WBIF funds; period covered by risk-sharing operations, WBIF guarantees, first losses, equity or quasi-equity; the link between the size and use of the WBIF grant and expected and unexpected losses or other risks taken; risks related to (the lack of) financial access, inclusion and literacy, in particular for vulnerable groups and with a gender-sensitive approach.
- **Socio-economic, equality/gender, minority/vulnerable groups risks**: Inadequate communication between actors involved in the Project; public opposition, affordability issues, discriminatory reasons, evictions, etc.
- **Environmental risks**: Impact on air pollution, noise, and climate change (climate risks addressed in section 30 – Addressing climate mitigation and adaptation), environmental injustice towards minority/vulnerable groups, strong likelihood of objection from the public, etc.
- **Implementation risks**:
  - Planning risks (e.g. the implementation of a Project fails to adhere to the terms of the planning permission, or the detailed planning cannot be obtained, or, if obtained, can only be implemented at higher costs than budgeted);
  - Technical/design risks (e.g. the quality of the project designs/site investigations is likely to impact the likelihood of unforeseen problems; the use of suboptimal/obsolete technologies/loads to substandard services, etc.);
  - Procurement risks (e.g. delay in procurement procedures, re-tendering, appeals, contractual disputes, etc.);
  - Construction risks (e.g. site unavailability, the construction of physical assets is not completed on time, budget and specification, etc.)
- **Operation risks**: The risk that operating costs vary from the budget, performance standards slip, or services cannot be provided; the demand for a service does not match planned, projected, or assumed levels, etc.
- **Other risks**: Specific risks that do not fit in the above classification should be described in this sub-section (e.g. force majeure, adverse publicity on the construction or operation of the new infrastructure, etc.)

(Indicative max 500 words)

<table>
<thead>
<tr>
<th>Risk assessment categories</th>
<th>Description</th>
<th>Mitigation</th>
<th>Risk severity</th>
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<tbody>
<tr>
<td><strong>Political risks</strong></td>
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<td><strong>Other risks</strong></td>
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### Addressing climate mitigation and adaptation

Complete this section in cooperation with the Lead IFI. Describe steps taken in project design and implementation to minimise the impact on the environment and ensure the Project’s resilience to climate change. Address the Project’s potential contribution to GHG emission reduction and/or climate adaptation, climate risk assessments carried out, considerations and measures for improving the Project’s resilience to current and future climate risks. Elaborate on the Project’s alignment with the Paris Agreement and the Beneficiary’s Nationally Determined Contribution (NDC). Include project-specific climate markers (main/secondary dimension, reduced emissions / carbon footprint).

Describe the climate finance components of the Project (if any) for adaptation and/or mitigation. The Rio Markers methodology should be used to determine whether climate change is the principal objective, one of the objectives (significant), or not an objective of the Project. The Lead IFI may propose a specific percentage of the project budget as climate change contribution based on its own methodology.

### Indicative calendar of the Action

Complete this section in cooperation with the Lead IFI. This section should be completed to the greatest possible extent at the time of submission and should be updated before the approval of the grant. Summarise (narrative description) key milestones in the procurement and the implementation phases of the Action, procurement procedures.

Provide the dates of specific milestones of the Action in the form of quarter of the year in which the milestone is expected to be reached (e.g. Q1/2023). The milestones included in the INV GAF template are mandatory. Additional milestones specific to the Action can be added as separate entries (rows) in the table. All the dates are expected to be updated before contracting and/or in case of changes in the calendar.

The following planning principles should be considered as guidance:
- Activities should be in line with the standard time necessary for procedures (e.g. obtaining of permits, etc.);
- Activities should follow the sequential order of the development of the Action;
- The duration of each activity should include a safety margin;
- The total duration of the Action should be sufficient for its full execution;
- Dead time or excessively busy periods should be avoided;
- Periods in which involved institutions operate under a different regime (e.g. vacations, public holidays, etc.) or target groups are engaged in other activities (e.g. election campaigns, intensive activity season in agriculture, etc.) should be taken into account;
- Activities impeding each other should not overlap;
- To the extent practical, the resource utilisation should be uniform over the duration of the Action/Project;
- The duration of the Action/Project determines the size of the budget (fixed costs).

Key stages in the development of the investment project may also be considered, e.g. securing internal management approvals for the project, funding, ownership/ control of sites, planning approvals; completion of designs; launch of procurement; appointment of contractors; start of activities on site; completion of works; handover and official opening.

### Table: Rio Markers

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<th>Rio Markers</th>
<th>Mitigation</th>
<th>Adaptation</th>
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<td>Project [M€]</td>
<td>WBIF co-financing grant</td>
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<td>RM2 (the principal objective)</td>
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TA GAFs – (1/5)

• TA GAF Template appears to be too “heavy” (some of requirements similar to INV GAF Template - section 16~19) – difficult to cover everything (and not all is possible), e.g.:

19.2 Needs/demand analysis

Using quantitative and qualitative data, describe the problems and needs (including gaps, shortcomings, or deficiencies) targeted by the Project to demonstrate why the Project is needed. It is paramount to summarise key infrastructure deficiencies and needs the Project (or project component/phase) will address and bring to EU standards. Provide a summary of the demand analysis, including the predicted demand growth rate, in line with the results of the Cost-Benefit Analysis (if available). Minimum information required: (i) assumptions and baseline (e.g. traffic in the past, future traffic without the project); (ii) projections and methodology used for selected options (if applicable); (iii) supply-side aspects, including analysis of existing and expected infrastructure developments; and, (iv) network effect (if any).

Use and document sources to justify the key issues targeted by the Project and the demand analysis. Avoid using jargon and acronyms.

19.3 Main objectives of the Project

The Project objectives define what the project aims to achieve (what and who will benefit). Therefore, the information in this subsection should cover: (i) definition of the Project’s socio-economic objectives; (ii) relation to medium and long-term objectives, strategic plans/other relevant strategic documents. Provide a brief description of the main objectives of the Project in terms of outcomes/outputs in coherence with section 26 - Expected results. The objectives of the Project must be realistic (be achievable within the timeframe of the Project with the proposed budget and means), clear (without ambiguity), quantified as far as possible, and linked to the Project. They should directly address the problem(s) addressed by the Project and the needs of the target groups. The link must be clear between identified problems and needs (gaps/shortcomings/deficiencies), project objectives and proposed solution(s).

The objectives must be SMART: Specific (linked to the investments proposed for the main components), Measurable (quantified and showing the situation before and after the Project), Achievable (technically, financially and institutionally feasible), Relevant (add value within the context they are set and are aligned with EU policies and national strategies), Time-bound (can be achieved in a specific timeframe).

Socio-economic objectives must be identified and quantified as far as possible. For example, the following can be quantified: reduction in vehicle operating cost for international and domestic passenger and freight traffic, reduction in travel time for passenger and freight traffic, improvement in transport safety and security, reduction in emissions, employment opportunities, business development in the project area, improved living conditions in the project area, resource savings, synergies with regional, and/or national programmes, etc.
Indicative project status and timing (&20); Coherence with WBIF objectives, EU policies, adopted national strategies (&21) … Institutional framework (&23), (Indicative) Project budget and financing plan (&24), Risk assessment (&28), Indicative Calendar (&33) – almost same as in INV GAF; Sustainability shall be proved in Project Preparation!

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<th>Fiscal space and debt sustainability</th>
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<th>Economic/ Financial viability</th>
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• Climate mitigation and adaptation (&29) shall be dealt with during Project Preparation!

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<tr>
<th>Addressing climate mitigation and adaptation</th>
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<tbody>
<tr>
<td>Complete this section in cooperation with the Lead IFI; the assessment of climate finance contributions (mitigation and adaptation) is done by the Lead IFI. Address the Project’s potential contribution to GHG emissions reduction and/or climate adaptation, climate risk assessments carried out, considerations and measures for improving the Project’s resilience to current and future climate risks. Elaborate on the Project’s alignment with the Paris Agreement and the Beneficiary’s Nationally Determined Contribution (NDC). Include project specific climate markers (main/secondary dimension, reduced emissions/carbon footprint). Describe the climate finance components of the Project (if any) for adaptation and/or mitigation. The Rio Markers methodology should be used to determine whether climate change is the principal objective, one of the objectives (significant), or not an objective of the Project. The Lead IFI may propose a specific percentage of the project budget as climate change contribution based on its own methodology. The information for this section must be adapted to the sector and the maturity of the Project (e.g. pre-feasibility, feasibility study, detailed design, supervision of works, etc.).</td>
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Complete the section on climate change adaptation and mitigation as per the above guidelines.
• The most important Section 30 – it SHALL BE BASED ON DRAFT ToRs (Task scoping and budget) for TA! ToRs shall be drafted before TA GAFs by the national authorities (the Beneficiaries but not IFICO) and shared with IFICO for checking, harmonization finalization, and acceptance by the parties?!

**DESCRIPTION OF THE ACTION**

| 30 | Scope of work and results for TA grant activities (the Action) |

Provide a detailed and clear description of the TA activities financed by the WBIF grant request and the foreseen outcomes of these activities: What activities will be done, what are the required (human) resources, what is the foreseen timeframe? The following key aspects need to be covered:

- Indicate why the activities financed by the grant request are necessary and how they will contribute to reaching the Project’s objectives;
- Present the core team, matching required expertise with the activities financed by the grant, as well as the indicative number of working days for carrying out these activities;
- Describe key risks that should be considered in implementing the activities;
- List all deliverables of the activities financed by the grant request and summarise their contents;
- Specify standards, norms, regulations and guidelines applicable to the activities financed by the grant request. Include requirements of the national regulations, as well as from the Financial Institutions.

Provide a brief description of differences between national standards/legal provisions and EUIF’s rules.

The justification of the Action’s necessity must closely relate to the fulfilment of the eligibility criteria. Technical review, check and verification of project design(s) as per national legislation and/or other activities specific to urban planning and/or land ownership (e.g. preparation of Urban Plan(s), documentation for land expropriation, etc.) are not eligible. These fall under the Beneficiary’s responsibility as part of its own due diligence and control for project management.

Document sources (e.g. studies, statistics, etc.) by indicating title, author and issue date, online address (if available online):

- The goal, concrete deliverables, duration and completion date, resources (e.g. human and material resources), etc., must be specified and sufficiently detailed for each activity financed by the grant request;
- Human resources must be clearly indicated;
- All activities financed by the grant request must be properly budgeted and duly justified in section 31;
- Grants can be used exclusively for the Project and the activities for which they are approved.
TA GAFs – ctd. (5/5) - some tips

- Long-lasting activities (large gaps between various phases, repetition/update of some phases due to obsoleteness – lack of financing/planning);

- Adequate assessment of all available documents (including strategies and strategic objectives) and validity and correctness of the information – problem and needs assessment!

- Other on-going and planned projects – can we manage it from the institutional capacity and operational constrains? Can market deal with it? Will our activities lead to artificial price increase? International contractors/consultants but LOCAL LOGISTIC?

- Financing? Proper planning (indicative calendar)? for future steps (involvement of IFIs! – clarifications on national level (ministry of finance))

- Inter-sectoral (and regional) consultations and coordination (particularly in railway sector)

- CREATE A DEDICATE PROJECT MANAGEMENT UNITS (at least core teams!!) – the OWNERSHIP throughout the project cycle (PIUs usually created (forced) only in context of financing agreements with IFIs!)

- Ad-hoc approach is not planning and usually contra-productive
QUESTIONS / COMMENTS / ADDs?

Assen is going to take us through the main aspects of the Project Preparation