

## METHODOLOGY FOR SELECTION AND PRIORITIZATION OF INFRASTRUCTURE PROJECTS

### I. Introduction

Infrastructure development is, among other, one of the most important strategic goals of Montenegro. Given that both domestic and external financial sources for infrastructure are limited, it is important to focus available funding on *strategically significant infrastructure projects* i.e. on those projects which will make the largest contributions (impacts) towards the achievement of national policy objectives for accession of Montenegro to the European Union and for socio-economic development. Identification of strategically significant infrastructure projects will be an important element in IPA II programme for the programming period 2014–2020. Past and on-going donor assistance in the field of infrastructure (including EU assistance) has supported infrastructure project preparation at both central and local government levels.

The purpose of this paper is to develop a consolidated standard methodology to be used by the state and local authorities for the selection of strategically significant infrastructure projects. This methodology is applicable to all funding sources and is a basis for a successful programming process during which the selection of projects for funding is performed and the financial arrangements for funding the individual projects are identified. The largest benefit of adopting a unique Methodology is the possibility of establishing a unique system for the development of projects which will meet both the national and the EU standards, and thereby have access to the funding sources and funds of the European Union and other development finance institutions.

This Methodology is particularly relevant since it is directly related and essential for the preparation of the **Single Project Pipeline – SPP** (single list of priority infrastructure projects). Having in mind the request from the European Commission clearly defining the need to compose the Single Project Pipeline, it is also necessary to establish an institutional mechanism and the procedures/criteria for the selection of projects in order to prepare such project pipeline. The institutional mechanism has been completed by establishing the **National Investment Commission (NIC)**, while the objective of this Methodology is to define clear procedures/criteria for the administrative and technical process of the Single Project Pipeline preparation.

The Methodology includes a list of activities that need to be implemented for a specific project to be included in the Single Project Pipeline.

A necessary precondition for the Methodology implementation is to establish four **Sector Working Groups (SWG)** by the line ministries for the following sectors: transport, energy, environment and social activities (education, health, justice). Furthermore, the line ministries will appoint contact persons, from among the members of the Sector Working Groups, to cooperate with the Secretariat for Development Projects (SDP), project beneficiaries

(municipalities, public enterprises, agencies etc.) and international financial institutions/donors. The Sector Working Groups will be in charge of the following:

- Project identification at the sector level and verification of project consistency with the applicable national strategies, action plans, master plans and other strategic documents;
- Defining the criteria for Strategic Relevance Assessment (SRA);
- Completing the Project Identification Forms (PIFs);
- Project scoring and ranking according to the Strategic Relevance Criteria;
- Composing the Sector Single Project Pipeline (SSPP);
- Consulting financial institutions in order to identify potential financial sources/support;
- Submitting the Sector Single Project Pipeline to the Secretariat for Development Projects with the corresponding Project Identification Forms.

Having in mind the above listed, Sector Working Groups within line ministries identify relevant infrastructure projects based on national strategies, action plans and existing data bases, after which the Project Identification Forms are completed and Strategic Relevance Assessment (SRA) is performed.

Following this step, the Sector Working Groups create the Sector Single Project Pipeline and submit it, together with the Project Identification Forms, to the Secretariat for Development Projects.

During the preparation of the Sector Single Project Pipeline, Sector Working Groups identify potential financial sources for the project implementation, in communication with international financial institutions/donors.

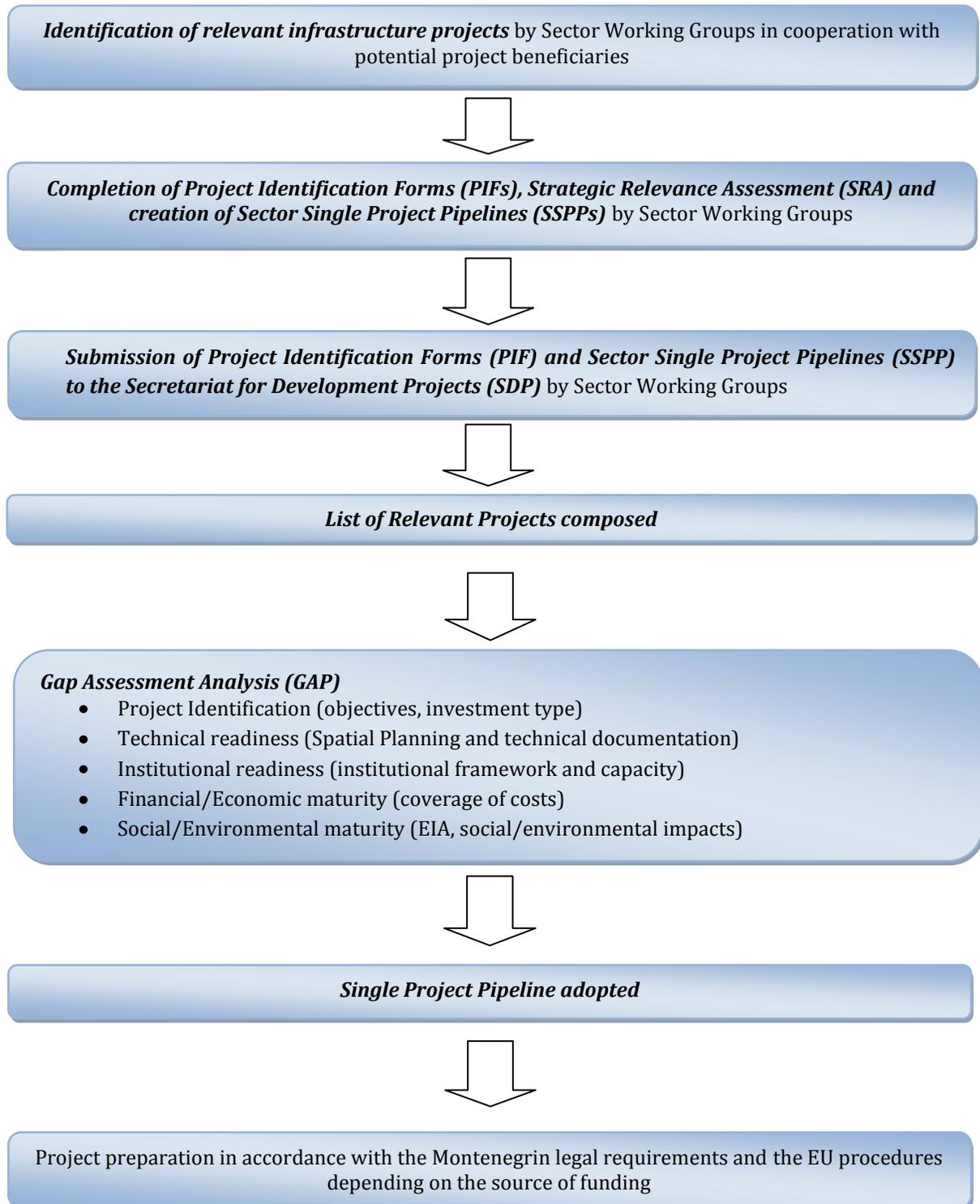
Based on the Sector Single Project Pipelines and the Project Identification Forms submitted by the Sector Working Groups, the Secretariat for Development Projects forms the List of Relevant Projects and these projects are subject of GAP Assessment Analysis. Following the GAP Assessment Analysis, the Secretariat for Development Projects creates the Draft Single Project Pipeline (SPP).

After the listed activities are completed, the Secretariat for Development Projects submits the Draft Single Project Pipeline to the National Investment Commission for consideration and adoption and the NIC determines, *inter alia*, the possibility of providing funds for the priority infrastructure project implementation. The National Investment Commission submits the adopted Single Project Pipeline to the Government of Montenegro for verification.

In addition to the specified SWGs for above mentioned four sectors, following the proposal of the National Investment Commission, SWGs can be also formed for other areas or sectors, on the bases of the evaluation of the importance of the projects on regional and national level.

## II. Structure of Methodology for Selection and Prioritization of Infrastructure Projects

This methodology defines the necessary steps in infrastructure project selection and prioritization:



The first step in the selection and prioritization process is the identification of a pipeline of infrastructure projects that may potentially be important in the implementation of sector strategies or national/regional socio-economic development programmes. This step aims to consolidate and coordinate existing identification procedures currently used by line ministries, public enterprises, local authorities and agencies. The two main sources of pipeline projects are:

- a) Existing line ministry databases;
- b) National/sector strategies, strategic action plans and master plans.

Scope	Key Actors	Inputs	Method	Outputs
<p>-Consolidate existing processes for project identification in order to provide a basis for the selection of strategic relevant infrastructure projects</p> <p>-Identify potential infrastructure project sources</p>	<p>- Sector Working Groups in cooperation with project beneficiaries (line ministries, public enterprises, municipalities, etc.)</p>	<p>- National/sector strategies and other strategic documents</p> <p>- Existing line ministry data bases</p> <p>- Project pipelines of line ministries and project beneficiaries</p>	<p>- Identification of potential projects from existing databases and pipelines according to sector strategic objectives following national/sector strategies and action/master plans</p>	<p>- Identified infrastructure projects pipeline</p>

## 2. Project Identification Form (PIF) and Strategic Relevance Assessment (SRA)

### 2.1. Project Identification Form (PIF)

The Secretariat for Development Projects submits the PIF template to Sector Working Groups.

Sector Working Groups from line ministries complete and submit to the Secretariat for Development Projects a standard Project Identification Form (PIF) which will provide sufficient information to proceed with the next step.

The Project Identification Form will include at least the following project information:

- a) General data and information, including information on sector institutional set-up and policy ownership, which will show whether there are sufficient capacities for project preparation and implementation monitoring;
- b) Project eligibility/consistency with EU policies, national strategies and individual sector strategies;
- c) Project Strategic Relevance Assessment, based on strategic relevance criteria;

- d) Short description of the project;
- e) Data for project Gap Assessment Analysis which include:
  - Project Identification (objectives, investment type);
  - Technical readiness (Spatial Planning and technical documentation);
  - Institutional readiness (institutional framework and capacity);
  - Financial/Economic maturity (coverage of costs);
  - Social/Environmental maturity (EIA, social/environmental impacts);
- f) Project implementation schedule;
- g) Identification of financial sources;
- h) Estimated project value;
- i) Estimated amount of funding required at annual level for the proposed project implementation period/schedule.

Scope	Key Actors	Inputs	Method	Outputs
- Ensure that all potential infrastructure projects have the minimum standardised information needed for: (i) identifying institutional ownership & set-up; (ii) eligibility screening; (iii) assessing strategic relevance; (iv) short description of the project; (v) project GAP assessment; (vi) project implementation schedule; (vii) identification of funds; (viii) estimated project value.	- Sector Working Groups, in cooperation with final beneficiaries (for PIF completion and submission to SDP)  - SDP for data base creation based on the submitted PIFs	- Information on the identified infrastructure projects included in the list	- Sector Working Groups/final beneficiaries collect basic project information and complete PIFs  - Insertion of completed PIFs into the SDP's data base of infrastructure projects	- PIFs completed  - Consolidated and integrated infrastructure project data

## 2.2 Strategic Relevance Assessment (SRA)

Based on strategic, action and other plans, Sector Working Groups will identify the specific Strategic Relevance Criteria. According to the mentioned criteria, Sector Working Groups will assess the strategic relevance/impact of the proposed projects. Furthermore, Specific Strategic Relevance Criteria will be developed separately for each of the sectors following the main aspects of project relevance i.e. significance.

Sector Working Groups from line ministries assess the project strategic relevance and deliver the data within PIFs to the Secretariat for Development Projects. Strategic relevance of each project needs to be assessed according to their compliance, consistency and coherence with the general and sector policy objectives and/or strategic objectives.

Following completion of the Project Identification Form, which includes the project Strategic Relevance Assessment, Sector Working Groups create the Sector Single Project Pipeline (SPPP) and deliver it to the Secretariat for Development Projects. Based on Sector Single Project Pipelines and Project Identification Forms, the Secretariat for Development Projects composes a List of Relevant Projects that will be subject of the GAP Assessment Analysis.

Scope	Key Actors	Inputs	Method	Outputs
<ul style="list-style-type: none"> <li>- Define the Strategic Relevance Criteria</li> <li>- Assess the project strategic relevance according to the criteria extracted from national and other strategies, where possible</li> </ul>	<ul style="list-style-type: none"> <li>- Sector Working Groups from line ministries</li> <li>- SDP</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic Relevance Criteria for each of the sectors</li> <li>- Strategic infrastructure projects data base</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic relevance of each project will be assessed in relation to their compliance, consistency and coherence with the Strategic Relevance Criteria</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic Relevance Assessments of projects</li> <li>- Sector Single Project Pipeline (Sector Working Groups)</li> <li>- List of Relevant Projects (SDP)</li> </ul>

### 3. Gap Assessment of the Project (GAP)

GAP Assessment is done by the Secretariat for Development Projects in cooperation with Sector Working Groups.

GAP Assessment is the process of assessing the completeness of the project documentation of the projects included in the List of Relevant Projects with preconditions relevant for implementation.

Based on PIFs and other documentation, the Secretariat for Development Projects, in cooperation with Sector Working Groups, divides the projects into two groups according to their degree of MATURITY and proposes the projects as being:

#### **Group 1** – Ready for tendering and investment realization

- **Group 1a** – projects with technical documentation prepared, ready for tender preparation or tendering;
- **Group 1b** – projects with preparation of technical documentation ongoing, and ready for tendering when it is finished, or some final approvals/permits are missing

#### **Group 2** – Ready for preparation of technical documentation

- **Group 2a** – projects with spatial planning documentation completed and property-related issues resolved;
- **Group 2b** – projects with spatial planning documentation completed and resolving of property-related issues ongoing or property-related issues unresolved;
- **Group 2c** – projects with gaps in spatial planning documentation and resolving of property-related issues ongoing or property-related issues unresolved.

Scope	Key Actors	Inputs	Method	Outputs
- Undertake Gap Assessment Analysis of the projects included in the List of Relevant Projects  - Rank the projects included in the List of Relevant Projects according to their degree of MATURITY and propose them as being: a) Group 1 – ready for tendering  b) Group 2 – ready for preparation of technical documentation	- SDP in cooperation with line ministries and Sector Working Groups  - Sector Working Groups/final beneficiaries	- Data for project's Gap Assessment (to be completed by Sector Working Groups/final beneficiaries within PIFs)  - Project/technical and other documentation	- GAP Assessment Analysis will provide technical assessment of project MATURITY	- Single Project Pipeline

#### 4. Single Project Pipeline

Based on the previous steps and as a result of the listed activities, the Secretariat for Development Projects creates the Draft Single Project Pipeline to be submitted to the National Investment Commission for consideration and adoption. The National Investment Commission submits the adopted Single Project Pipeline to the Government of Montenegro for verification.