



EUROPEAN COMMISSION

Second Regional Conference, Bucharest, 25-26 October 2001

**Report of the Chairman of the Infrastructure Steering Group
25 October 2001**

The Role of the Infrastructure Steering Group

At the May 2001 Working Table II meeting in Tirana it was agreed by the delegates that an infrastructure Steering Group (ISG) should be formed, consisting of experts of the EIB, European Commission, EBRD, World Bank, Council of Europe Development Bank, and the Office of the Special Coordinator of the Stability Pact. The mandate of the Group was described as: *'The Infrastructure Steering Group will vet projects for consistency with the agreed criteria's. It will, where appropriate, consult with other multilateral or bilateral agencies. It will help put together a financing package using its experience to bring in the private sector as often as possible. It will also verify that appropriate institutional, regulatory and sectoral frameworks, that will accelerate the creation of regional markets, are being developed.'* ('The Development of Regional Infrastructure Projects: The Way Ahead', document presented at the Tirana Conference on May 23 2001).

On September 21 the ISG met for the first time. The Group discussed the overall role of the ISG, the regional strategies developed by various partners, and started reviewing projects submitted, in particular by the countries of the region.

The Group has prepared a first set of decisions to be presented at the Regional Conference in Bucharest. In particular, the Group made an initial review of projects, and agreed on a limited, though already impressive, list of projects, illustrating at best how to apply the demanding criteria set for in its mandate.

The Group emphasized that the selection of the projects should be an ongoing process. In the future the Group will meet three to four times a year. The next meeting will take place in February 2002.

The Group is chaired by the European Commission. The Joint Office provides its secretariat.

A Process Part of a Regional Strategic Approach

One of the main principles of the process is that *'future selected projects have to contribute and be part of a strategic approach to develop infrastructure networks of regional importance.'*

Taking stock of the initial comprehensive assessment made by the EIB (Basic Infrastructure investments in SEE, Regional Project Review), lead agencies have elaborated on an extensive set of sector focused regional strategies.

- The European Commission has finalized its strategy papers on energy and transport infrastructure in South-East Europe which had achieved broad agreement from IFIs, beneficiary countries and member states of the EU.

- The EBRD finalized the **water strategy, which** key features are that projects should support decentralization, cost recovery and the polluter pays principle and the promotion of integrated approach to the Balkans that surpasses political and administrative boundaries.

- The EIB has finalized the **Air Traffic Infrastructure** Regional Study (ATIRS), completed earlier in 2001, on air traffic control facilities, as well as airport infrastructure in South East Europe.

These strategies form the framework of an ongoing process for facilitating project identification and prioritization. They will be regularly adapted and enriched by the findings of the various studies undertaken in this area, in particular in the fields of transport (TIRS), regional electricity market, oil and gas networks. It can be noted that the findings of the first phase of the TIRS study will be available by the end of 2001.

This strategic framework will facilitate the coordination between donors and allow adequate prioritization of the regional infrastructure investments in South-East Europe.

Project review by the Infrastructure Steering Group – First results

On September 2001, the Group was informed that beneficiary countries and/or IFIs had submitted 234 projects for vetting.

It was recalled by several participants that the proposed projects should contribute to the development of regional infrastructure, be consistent with the preliminary findings of the strategy papers, the already completed studies and the following 'way ahead' criteria:

- *Technical, economic and environmental viability,*
- *Submission by two or more countries of the region, or, in case of submission by one country, thorough explanation about regional impact*
- *Marked regional character (either because they have a direct effect on more than one country or for their demonstration value which will benefit all the countries in the region)*
- *Pre feasibility studies including financing plan compatible with local budgetary constraints.*

The Group expressed some concern at the large number of projects that had been submitted for review which seemed to surpass the likely financial envelope that could be mobilized in the near term.

The Stability Pact representatives recalled that potential beneficiary countries had been invited to submit only limited numbers of priority projects (3 – 5 projects) and that the number received by the Joint Office and Stability Pact greatly exceeded this.

The Group agreed that a careful selection was now necessary to ensure that immediate importance was given to projects, which could be implemented within a reasonable time limit.

Furthermore, the Group agreed on the following conclusions to be presented at the Regional Conference:

- The submission of projects should be acknowledged.
- A coherent approach has been put in place for the process of selecting projects, based on the criteria agreed in Tirana.
- Other donors and the private sector (where appropriate) will be called to participate in the financing and implementation of the selected projects.
- Countries should be encouraged to assist in process by prioritizing the proposals they have already submitted.

The Group also stressed the necessity for continuation of the institutional improvements especially in the field of land expropriation and introduction of laws, which should help for the implementations of screened projects.

*

* *

List of regional infrastructure projects with financing secured or under finalization

The members of the Regional Infrastructure Steering Group (ISG) agreed that the attached list should be presented at the Regional Conference in Bucharest on October 25 and 26.

This list reflects progress made by the countries of the region in cooperation with the main international financing institutions and donors in securing financing for regional projects. The projects contained in this list have financing secured or under finalization and have been selected according to all the criteria mentioned before.

This list is a first illustration of applying the main principle of the process that ‘future selected projects have to contribute and be part of a strategic approach to develop infrastructure networks of regional importance’.

In principle, projects, which are currently not on the list, are not necessarily excluded from the process since they may meet required criteria in the future.

Nevertheless it was noted that for some projects:

- The project may not yet be sufficiently advanced in preparation or in completing the financing plan.
- The regional nature may be insufficient for having the project taken into consideration by the group. This does not exclude, however, that the project may have a high priority from a national point of view and may deserve to be financed under national programs.

*

**Regional projects with financing plan secured or under finalisation,
approved by the Infrastructure Steering Group**
by Country
as of October 15, 2001

Project Number:	Title:	To be implemented in:	Lead Agency:	Cost:
111008	Road Maintenance Project	Albania	WB	39.00 M USD
113002	Port of Durres rehabilitation and modernization	Albania	EIB/WB	45.00 M Euro
121009	Power Distribution Rehabilitation (related to Power Sector Reconstruction Project)	Albania	EBRD	217.3 M Euro
211005	Main roads and bridges rehabilitation	Bosnia and Herzegovina	EIB	120.0 M Euro
212005	Railways Recovery Project	Bosnia and Herzegovina	EIB/EBRD	80.00 M Euro
221001	3rd Electric Power (transmission)	Bosnia and Herzegovina	WB	103.0 M Euro
311001	Danube Bridge Vidin-Calafat	Bulgaria	EIB	180.0 M Euro
311002	Transit Roads Rehabilitation Project III – sections on the Pan-European Transport corridors in Bulgaria	Bulgaria	EC	40.00 M Euro
312007	Reconstruction and Electrification of the Plovdiv – Svilengrad – Greek/Turkish border railway line for speeds 160 (200) km/h	Bulgaria	EIB	170.0 M Euro
411001	Autocesta Rijeka-Zagreb	Croatia	EBRD	100.0 M Euro
421001	Network Reconstruction Project II	Croatia	EBRD	103.9 M Euro
432001	Zagreb Wastewater Treatment Plant	Croatia	EBRD	104.5 M Euro
511001	Skopje Bypass	Former Yugoslav Republic of Macedonia	EIB/EBRD	50.00 M Euro
511002	Finalising the upgrading of the E 75 road (Corridor X), section Negotino – Demir Kapija (Phase III)	Former Yugoslav Republic of Macedonia	EC	11.00 M Euro
611005	Road Sector Restructuring and Pitesti By-pass Project, Romania	Romania	EBRD	114.7 M Euro
611007	Rehabilitation of the Craiova-Drobeta Turnu Severin section of Highway 6 (Corridor IV)	Romania	EC	117.0 M Euro
621003	National Grid Reinforcement	Romania	EBRD	202.0 M Euro
634013	Municipal Environmental Loan Facility, Constanta	Romania	EBRD	100.4 M Euro
711018	Transport Rehabilitation	Federal Republic of Yugoslavia (Serbia/Montenegro)	EIB	138.0 M Euro
712026	Yugoslav Railways Reconstruction Project (Serbian/Montenegrin)	Federal Republic of Yugoslavia (Serbia/Montenegro)	EBRD	160.0 M Euro
721003	Emergency Power Sector Reconstruction Project	Federal Republic of Yugoslavia (Serbia/Montenegro)	EBRD	135.9 M Euro
911004	Drumul M3 Chisinau-Cimislia-Comrat-Vulcanesti-Giurgiulesti (Romania)	Moldova	WB	30.35 M USD
911005	Trade and Transport Facilitation in Southeast Europe (TTFSE)	Moldova	WB	9.10 M USD
R11001	Border Crossings between Bulgaria and Romania	Region	EC	13.00 M Euro
R11002	Border Crossings between Croatia and Slovenia, and Croatia and FR Yugoslavia	Region	EC	7.75 M Euro
R11003	Border Crossings between BiH and Croatia, and BiH and FR Yugoslavia	Region	EC	7.50 M Euro
R11004	Border-Crossing at HORGOS on Corridor X, between Belgrade and Budapest	Region	EC	5.00 M Euro

27 projects selected, total cost 2,411.27 M€ (2,219.57 M USD)

1 Euro = 0.9205 USD (EC Budget Execution Rate for October 2001)

**Regional projects with financing plan secured or under finalisation,
approved by the Infrastructure Steering Group
by Sector
as of October 15, 2001**

Project Number:	Title:	Sector:	To be implemented in:	Lead Agency:	Cost:
111008	Road Maintenance Project	Transport/Roads	Albania	WB	39.00 M USD
211005	Main roads and bridges rehabilitation	Transport/Roads	Bosnia and Herzegovina	EIB	120.0 M Euro
311001	Danube Bridge Vidin-Calafat	Transport/Roads	Bulgaria	EIB	180.0 M Euro
311002	Transit Roads Rehabilitation Project III – sections on the Pan-European Transport corridors in Bulgaria	Transport/Roads	Bulgaria	EC	40.00 M Euro
411001	Autocesta Rijeka-Zagreb	Transport/Roads	Croatia	EBRD	100.0 M Euro
511001	Skopje Bypass	Transport/Roads	Former Yugoslav Republic of Macedonia	EIB/EBRD	50.00 M Euro
511002	Finalising the upgrading of the E 75 road (Corridor X), section Negotino – Demir Kapija (Phase III)	Transport/Roads	Former Yugoslav Republic of Macedonia	EC	11.00 M Euro
611005	Road Sector Restructuring and Pitesti By-pass Project, Romania	Transport/Roads	Romania	EBRD	114.7 M Euro
611007	Rehabilitation of the Craiova-Drobeta Turnu Severin section of Highway 6 (Corridor IV)	Transport/Roads	Romania	EC	117.0 M Euro
711018	Transport Rehabilitation	Transport/Roads	Federal Republic of Yugoslavia (Serbia/Montenegro)	EIB	138.0 M Euro
911004	Drumul M3 Chisinau-Cimislia-Comrat-Vulcanesti-Giurgiuilesti (Romania)	Transport/Roads	Moldova	WB	30.35 M USD
911005	Trade and Transport Facilitation in Southeast Europe (TTFSE)	Transport/Roads	Moldova	WB	9.10 M USD
R11001	Border Crossings between Bulgaria and Romania	Transport/Roads	Region	EC	13.00 M Euro
R11002	Border Crossings between Croatia and Slovenia, and Croatia and FR Yugoslavia	Transport/Roads	Region	EC	7.75 M Euro
R11003	Border Crossings between BiH and Croatia, and BiH and FR Yugoslavia	Transport/Roads	Region	EC	7.50 M Euro
R11004	Border-Crossing at HORGOS on Corridor X, between Belgrade and Budapest	Transport/Roads	Region	EC	5.00 M Euro
212005	Railways Recovery Project	Transport/Railways	Bosnia and Herzegovina	EIB/EBRD	80.00 M Euro
312007	Reconstruction and Electrification of the Plovdiv – Svilengrad – Greek/Turkish border railway line for speeds 160 (200) km/h	Transport/Railways	Bulgaria	EIB	170.0 M Euro
712026	Yugoslav Railways Reconstruction Project (Serbian/Montenegrin)	Transport/Railways	Federal Republic of Yugoslavia (Serbia/Montenegro)	EBRD	160.0 M Euro
113002	Port of Durres rehabilitation and modernization	Transport/Ports and Waterways	Albania	EIB/WB	45.00 M Euro
121009	Power Distribution Rehabilitation (related to Power Sector Reconstruction Project)	Energy/Electricity	Albania	EBRD	217.3 M Euro
221001	3rd Electric Power (transmission)	Energy/Electricity	Bosnia and Herzegovina	WB	103.0 M Euro
421001	Network Reconstruction Project II	Energy/Electricity	Croatia	EBRD	103.9 M Euro
621003	National Grid Reinforcement	Energy/Electricity	Romania	EBRD	202.0 M Euro
721003	Emergency Power Sector Reconstruction Project	Energy/Electricity	Federal Republic of Yugoslavia (Serbia/Montenegro)	EBRD	135.9 M Euro
432001	Zagreb Wastewater Treatment Plant	Water and Environment/Water Waste	Croatia	EBRD	104.5 M Euro
634013	Municipal Environmental Loan Facility, Constanta	Water and Environment/Environment	Romania	EBRD	100.4 M Euro

27 projects selected, total cost 2,411.27 M€ (2,219.57 M USD)

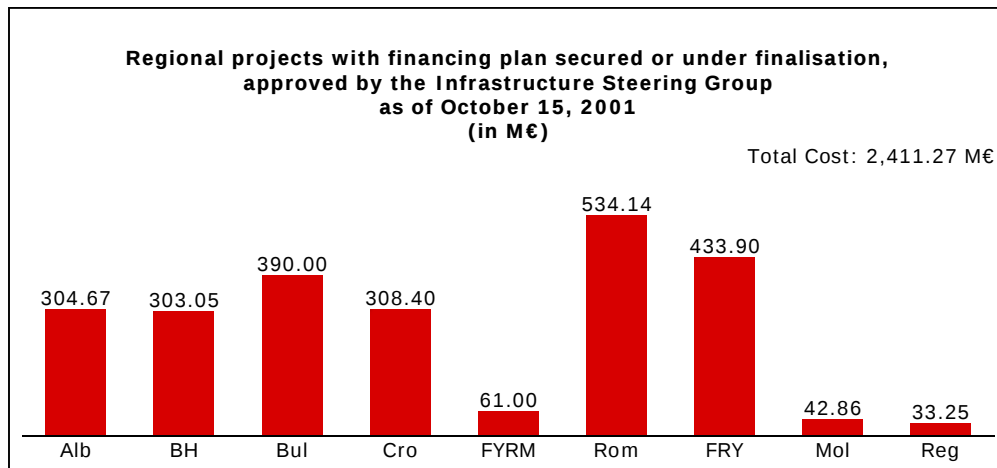
1 Euro = 0.9205 USD (EC Budget Execution Rate for October 2001)

Infrastructure Steering Group

Project Summary by Country

Projects implemented in:	Regional projects with financing plan secured or under finalisation, approved by the ISG as of October 15, 2001		
	No. of Projects	Cost (M€)	(%)
Albania	3	304.67	12.64%
Bosnia and Herzegovina	3	303.05	12.57%
Bulgaria	3	390.00	16.17%
Croatia	3	308.40	12.79%
FYR Macedonia	2	61.00	2.53%
Romania	4	534.14	22.15%
FR Yugoslavia	3	433.90	17.99%
Moldova	2	42.86	1.78%
Region	4	33.25	1.38%
Total	27	2,411.27	100.00%

1 Euro = 0.9205 USD (EC Budget Execution Rate for October 2001)



Infrastructure Steering Group

Project Summary by Sector

Sector:	Regional projects with financing plan secured or under finalisation, approved by the ISG as of October 15, 2001		
	No. of Projects	Cost (M€)	(%)
Transport	20	1,444.22	59.89 %
Roads	16	989.22	41.02%
Railways	3	410.00	17.00%
Ports and Waterways	1	45.00	1.87%
Airports	0	0.00	0.00%
Energy	5	762.15	31.61 %
Electricity	5	762.15	31.61%
Gas, Oil and District Heating	0	0.00	0.00%
Water and Environment	2	204.90	8.50 %
Water Supply	0	0.00	0.00%
Water Waste	1	104.50	4.33%
River Basin Management	0	0.00	0.00%
Environment	1	100.40	4.16%
Total	27	2,411.27	100.00 %

1 Euro = 0.9205 USD (EC Budget Execution Rate for October 2001)

