INCEPTION REPORT
ON THE
PROVISION OF CONSULTANCY SERVICES FOR DEVELOPMENT OF PUBLIC INVESTMENT MANAGEMENT OPERATIONAL MANUAL (PIM-OM)

Submitted to
President's Office Planning Commission
Dar es Salaam

By

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1.0 Background

The Government of Tanzania (GoT) has undertaken large investments in public works especially in civil infrastructure projects related to ports, airports, railways, buildings, roads and bridges, power and water supply and others. Such investments have cross synergies which guarantee efficiency and realization of value for money. In order to achieve both objectives, a well coordinated and sustainable investment management framework has to be in place.

The National Public Investment Operational Manual is intended to develop a systematic investment decision-making and investment planning framework for guiding public investment priorities and choices. It also seeks to provide a compendium of best practices and innovations in terms of both content and process. The proposed manual is intended to serve three main purposes. These include:

(i) Acting as an instrument to enhance coordination of public investment;
(ii) Providing elaborate procedures for project inclusion in development budget;
(iii) Acting as a capacity building document.

Despite the fact that the Government of Tanzania has since independence undertaken investments in various areas, new and emerging challenges and opportunities call for a more systematic and centrally coordinated public investment guide. In order to bridge this gap, the Government is intending to craft a coherent public investment operational manual/framework to guide government investments and achieve the goals and objectives of Vision 2025.

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1 The aim is to guide government officials and institutions particularly the POPC, MDAs and LGAs, on the basic standards, methods (tools of analysis) and procedures involved in programming and evaluating public investments.

2 As embedded in the Long-term Perspective Plan (LTTP 201/12-2025/26), and implemented through a
The manual will be used by planners of diverse backgrounds and training such as graduates in economics, finance, management, statistics, or planning in sector specializations such as in health, education, water, transport, etc. This implies that the manual will have to be technical and has to be grounded on sound principles of socio-economic financial analysis. In a way, this will thus define the level/scope of technicalities. It will also define the initial training that will be required to institutionalize the manual.

Organization of inception report

This inception report is structured as follows: section one has provided the background or justification of the assignment. Section two explains our understanding of the terms of reference (ToRs). Section three presents the methodology and approaches the study will employ to achieve the objectives and the last section presents detailed work plan as well as expected deliverables.

2.0 Our understanding of the Terms of Reference: Comments and Suggestions in the Terms of Reference

We understand that the objective of the PIM-OM is to guide government technical staff and institutions, particularly POPC, MDAs and LGAs as well as the private sector and development partners, on the conventional and best practice standards, steps, methods (tools of analysis) and procedures involved in programming and evaluating public investments. To the best of our understanding, this will include among other things: identification of feasible projects; analysis of cost and benefits of projects; setting of criteria for inclusion of projects in annual budgeting; and Monitoring and Evaluation guidelines.

In this regard, the manual should therefore serve the following roles:

(iv) *Act as instrument to enhance coordination of public investment*: The manual shall be presented as a common point of reference for the coordination of all series of 3 Five Year Development Plans. The plans provide areas of priority development to guide investments by Government Ministries, Independent Departments (MDAs) and Local Government Authorities (LGAs), private sector and Public-Private Partnerships (PPP).
public investments. This coordination role should include aspects of PPP management, information collection mechanisms for analyzing costs and benefits of development programs, and efficient ways of allocating public resources.

(v) *Elaborate procedures for project inclusion in development budget:* We note that the status quo is assumed in emphasizing “elaborate”. In the course of undertaking this assignment, it will be useful to also move “open-mindedly” in order to allow alternative views on the laid-out procedures for inclusion of public investment projects/programs in the development budget at central or local government levels (e.g. in relation to Budget Guidelines, budget cycle timing, consistency, etc.). This will allow the manual to be a living document, flexible enough to be able to accommodate any new developments.

(vi) *Capacity building document:* Much as the manual will be operational, it is important that it is crafted to be an integral part in capacity development across government and other stakeholders. The manual will indicate clearly the capacity building initiatives required.

The manual will adopt an innovative approach starting with an extended annotated outline. Two issues will be taken into consideration.

i) The proposed contents for the introduction chapter are too much for “introduction”.
   
   Our proposal is that the introduction should be limited to:
   
   a. Short introduction of what the document is all about.
   b. What purpose the document serves.
   c. The intended audience of the document.
   d. The structure/layout of the document.

ii) The definitions emphasized in TOR will be presented as a separate part of the manual, preferably relegated to “glossary of terms”. The remaining contents
could then form a separate chapter, named for example as “background” or “preliminaries”.

We hope that this presentation will make the document easy to read.

In the next section we present a detailed methodology, which the team will apply in the preparation of PIM-OM.

3.0 Methodology: A Detailed Approach of Analysis

3.1 Major Activities

Preparation of the PIM will use the following approaches.

1) Thorough literature review

The team will carry out extensive literature – theoretical/conceptual as well as applied, in order to learn from good practices. The literature review will proceed as follows:

- Review of the previous attempts aimed at enhancing the coordination, appraisal, and management of public investments. This will include the review of documents like PIM, MPIP, NDC documents, etc. paying particular attention to the proposed criteria of evaluation, institutional arrangement, etc. The DoE will liaise with POPC to access such documents. It will also be useful to access appraisal documents for projects under Tanzania/MCC to learn the approach used.

- Review of similar manual from other countries, especially countries which have proved to have track records in (coordinated/centralized) economic planning, e.g. India, Pakistan, Malaysia, to mention a few. As such, it will be emphasized that since Tanzania has adopted the Big Results Now initiative approach, which is based on PEMANDU Model; experiences in public investment management in countries, which adopted this model earlier will be invaluable.

- Review of the theoretical and applied analysis in project appraisal and evaluation will be at the center of the pre-analysis in the development of the manual. The review will not only enrich the manual with pros and cons of various appraisal
techniques, but will provide basic formula with the team will customize (if necessary) and include them in the manual.

The breadth and scope of the review is tentatively defined in the proposed/annotated outline as presented below. It is apparent that the review will cover many issues, ranging from definition of terms, project cycle, project appraisal techniques, decision criteria, etc.

ii) Drafting of PIM-OP

DoE understands that drafting of the manual is the central activity leading to the key output of this assignment. Based on the literature review and their experiences/expertise, the team will proceed to drafting the manual. Drafting will be organized in sub-teams, each assigned to a specific part of the manual based on their expertise and experience.

In the technical proposal, DoE had indicated that when the draft takes a shape, the drafting process will co-opt additional experts from selected institutions in Tanzania, e.g. those who have worked with the NDC, to put their experiences (good or bad) in management of the public investment in Tanzania. DoE still thinks that this is good idea but will be implemented on demand-basis after consultation with POPC in order to avoid delays, which may be caused by this arrangement. If this idea is implemented, the extended team will follow a retreat approach for intensive review of the document.

iii) Consultations on the draft

The activity will involve subjecting the draft manual to a wider range of experts to review the document with the view of suggesting important changes/improvement at technical level.

Initially, DoE had proposed to carry out theme-based consultations due to the breadth of coverage of the manual. DoE is still convinced that this is the best way to get inputs from experts in order to improve the draft manual. The proposed outline forms the basis of what will be the themes and how they will be packaged.

The consultant team will work closely with POPC on selecting experts who will participate in the thematic consultations. We will borrow experience of the POPC on BRN technical
consultations in operationalizing this activity. DoE hopes that at the time of
discussion/presenting this Inception Report, POPC will already have firmed up on the list
of experts to be consulted. However, DoE initial proposal here includes:

a) Commissioner of Policy – Ministry of Finance:

b) Director of Research and Planning – NDC

c) Director – Presidential Delivery Bureau (PDB)

d) Director of investment from one of the pension/social security funds

e) Representative of Ministry of Works

It important to note that the envisage consultations at this stage is distinct from what will
be carried out on final manual to enhance national ownership and raising awareness. Such
consultations, in DoE’s view, will the carried out by POPC.

3.2 Technical scope and coverage of the manual

DoE has noted that the ToRs for this assignment already recommend some annotated
outline of the manual. DoE comments on the proposed outlines and proposes the
following:

a) Definition of terms and concepts:

Since the envisaged manual is technical, there will be a thorough presentation of the
definition of key terms and concepts. This will be presented as glossary of terms either at
the beginning or at the end of the document. The list of terms will include
concepts/definitions of public projects, project cycle/management, economic terms,
financial terms, M&E terms, etc. It may also include classicization of public investment
programs (by size or amount of money going into the project/programs, legal criteria, etc.

b) Layout of the main text
As DoE showed in the technical proposal, the main document is envisaged to flow as follows:

1. **Introduction**
   a. Short introduction of what the document is all about
   b. What purpose the document serves
   c. The intended audience of the document
   d. The structure/layout of the document

2. **Background**

   Based on the review of domestic literature, the manual will present the current structure of the organizations involved in public investment management and their roles (as provided for by law):

   - Specific MDAs (Ministry in charge of planning & Ministry in charge of finance)
   - Sector Ministries’ investment plans particularly the Planning Departments/Divisions (in Tanzania, Directorates of Planning and Policy)
   - Regional and Districts secretariats (LGAs) investment plans, and handling of village level development projects

   This chapter will also cover presentation of the national development plans/strategies and public investment projects/programmes) as components; to underscore the relevance or priority-status given by policy. The chapter will also present an overview of the project cycle: (planning, implementation, completion, operation and management - O & M) as well as project selection process in Tanzania. A review of good practices will also be presented.

3. **Project Planning, Management and Evaluation**

   A case study approach will be used to illustrate what does it mean? What is involved? Etc. The chapter will cover the following:
(i) Project planning-project conceived and identified, (specifically identifying the market failure being addressed by the intervention), feasibility study or studies (FS) made in beneficiary areas, inputs, outputs; data collected—economic/financial/social and environmental; consistence with national/regional/local govt. plans, implementation constraints identified etc.).

(ii) Development of log frame with results and milestones.

(iii) Assessment of risk and mitigating measures.

(iv) Implementation, periodic (quarterly) progress reports.

(v) Project completion and completion check (actual against plan)

(vi) Operation & Maintenance (O & M) arrangements.

(vii) Analyses of arrangements for sustainability (financial, economic, environmental considerations).

4. Project Evaluation
The chapter will reiterate the importance and principles of M & E: periodic technical evaluation and reports – as required (quarterly, semi-annual, annual) by regulations (government, financiers. It will also cover how lesson-learning and feeding are utilize in the design of new projects

5. Technical Approaches to Public Investment Analysis
Step by step, this chapter will introduce the Cost-Benefit Analysis (principles, identifying and valuing costs and benefits, Net Present Value (NPV), benefit/cost ratio, Internal-Rate of Return (IRR), Bay-back Method, analysis of risk; financial appraisals; and measures like cost-effectiveness, value for money assessment and multi-criteria analysis.

We note that this is key chapter and one that is the most technical of all sections/chapters. It requires knowledge of quantitative methods and the intuition behind the methods. The team will make sure that the material are presented in a simple yet rigorous terms, content and form. Cascading the level of technicality will be followed so that the chapter covers
tools/techniques in economic and financial analyses at all necessary levels. Capacity building around this area will be proposed.

6. Project financing

How to handle different kinds of project financing (debt financing, foreign/donor financing, how to handle PPP projects) – refer to existing laws and regulations in Tanzania.

7. Reporting financing

The focus herein will be on how to capture (what) key information with regard to new, ongoing and completed projects; including making information available for analyses of impacts and M & E and project data base.

Other minor chapters include:

- Procedures for linking with the Budget (development budget and budget cycle and related procedures)

- Project database – explaining the importance of developing and using the project database (formats devised, any computer-aided modes/software; actual development and management of project data base to be taken out as a special activity).

4. Plan of work and deliverables

4.1 Plan of work

This assignment is expected to be done in 12 weeks (within 3 months) starting from the 3rd week of November 2013. Table 1 below is a schedule of key activities that will be undertaken weekly. Some of activities are overlapping and some others like literature review are continuous for some weeks:
Table 1: Schedule of Work Plan

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4.2 Deliverables

Deliverables of this assignment will be submitted within the time indicated in the schedule of work above. The assignment has 3 main deliverables:

i. **Inception report**: which has been prepared as presented to shows the background of work briefly, understanding of the assignment, methodology and plan of work.

ii. **Draft report/manual**: This is a Public Investment Management Operational Manual at its draft stage. It will be presented to stakeholders for comments and questions to improve the document.

iii. **Manual**: This is the Public Investment Management Operational Manual at its final stage for submission.