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<tbody>
<tr>
<td>BCR</td>
<td>Benefit-Cost Ratio</td>
</tr>
<tr>
<td>BLT</td>
<td>Build-lease-Transfer</td>
</tr>
<tr>
<td>BOO</td>
<td>Build-Operate-and Own</td>
</tr>
<tr>
<td>BOOT</td>
<td>Build-Own-Operate-and Transfer</td>
</tr>
<tr>
<td>BOT</td>
<td>Build, Operate, and Transfer</td>
</tr>
<tr>
<td>BTO</td>
<td>Build-transfer-Operate</td>
</tr>
<tr>
<td>CA</td>
<td>Contracting Authority</td>
</tr>
<tr>
<td>CBA</td>
<td>Cost Benefit Analysis</td>
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<tr>
<td>CDC</td>
<td>Commonwealth Development Corporation</td>
</tr>
<tr>
<td>CIF</td>
<td>Cost-Insurance-Freight</td>
</tr>
<tr>
<td>CMT</td>
<td>Contract Management Team</td>
</tr>
<tr>
<td>COS</td>
<td>Civil society Organizations</td>
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<tr>
<td>ESRI</td>
<td>Economic and Social Research Institute</td>
</tr>
<tr>
<td>FOB</td>
<td>Free on Board</td>
</tr>
<tr>
<td>FS</td>
<td>Feasibility Study</td>
</tr>
<tr>
<td>FYDP</td>
<td>Five Year Development Plan</td>
</tr>
<tr>
<td>GoCI</td>
<td>Government of Cote d’Ivoire</td>
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<tr>
<td>GoT</td>
<td>Government of Tanzania</td>
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<tr>
<td>ha.</td>
<td>hectares</td>
</tr>
<tr>
<td>HIPC</td>
<td>Highly Indebted Poor Country</td>
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<tr>
<td>IA</td>
<td>Implementation Agreement</td>
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<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IPFA</td>
<td>International Project Finance Association</td>
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<tr>
<td>IPP</td>
<td>Independent Power Producer</td>
</tr>
<tr>
<td>IRR</td>
<td>Internal Rate of Return</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>LFA</td>
<td>Logical Framework Approach</td>
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<tr>
<td>LGAs</td>
<td>Local Government Authorities</td>
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<tr>
<td>LTPD</td>
<td>Long Term Development Plan</td>
</tr>
<tr>
<td>LTTP</td>
<td>Long Term Technology Plan.</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>MDAs</td>
<td>Ministries, Departments and Agencies</td>
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<tr>
<td>MfDR</td>
<td>Management for Development Results</td>
</tr>
<tr>
<td>MKUKUTA</td>
<td>Mvakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>MTP</td>
<td>Medium Term Plan</td>
</tr>
<tr>
<td>MW</td>
<td>Mega Watts</td>
</tr>
<tr>
<td>MSPBR</td>
<td>Medium Term Strategic Planning, Budgeting and Reporting Manual</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>NESC</td>
<td>National Economic and Social Council</td>
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<tr>
<td>NPV</td>
<td>Net Present Value</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PAS</td>
<td>Project Assessment Sheet</td>
</tr>
<tr>
<td>PD</td>
<td>Planning Department</td>
</tr>
<tr>
<td>PDT</td>
<td>Project Development Team</td>
</tr>
<tr>
<td>PER</td>
<td>Public Expenditure Review</td>
</tr>
<tr>
<td>PES</td>
<td>Project Evaluation Sheet</td>
</tr>
<tr>
<td>PI</td>
<td>Public Investment</td>
</tr>
<tr>
<td>PID</td>
<td>Project Initiation Document</td>
</tr>
<tr>
<td>PIM-OM</td>
<td>Public Investment Management Operation Manual</td>
</tr>
<tr>
<td>PIP</td>
<td>Public Investment Plan</td>
</tr>
<tr>
<td>PIS</td>
<td>Project Information Sheet</td>
</tr>
<tr>
<td>PM</td>
<td>Planning Ministry</td>
</tr>
<tr>
<td>PM&amp;E</td>
<td>Planning, Monitoring and Evaluation</td>
</tr>
<tr>
<td>PMO</td>
<td>Prime Minister’s Office</td>
</tr>
<tr>
<td>MP</td>
<td>Manager of Project</td>
</tr>
<tr>
<td>POPC</td>
<td>President’s Office Planning Commission</td>
</tr>
<tr>
<td>POPP</td>
<td>President’s Office, Planning and Privatization</td>
</tr>
<tr>
<td>PPA</td>
<td>Power Purchase Agreement</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
</tr>
<tr>
<td>RBM</td>
<td>Results Based Management</td>
</tr>
<tr>
<td>SMART</td>
<td>Specific, Measurable, Attainable, Realistic, and Time-bound</td>
</tr>
<tr>
<td>SPE</td>
<td>Special Purpose Entity</td>
</tr>
<tr>
<td>SPV</td>
<td>Special Purpose Vehicle</td>
</tr>
<tr>
<td>TDV</td>
<td>Tanzania Development Vision</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
</tr>
<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
</tr>
<tr>
<td>URT</td>
<td>United Republic of Tanzania</td>
</tr>
<tr>
<td>ZOPP/ GOPP</td>
<td>ZielorientierteProjektplanung/ Goal Oriented Project Planning</td>
</tr>
</tbody>
</table>
Executive Summary

The Case for Improving Public Investment Management

Public investment entails public expenditure on physical infrastructure (for transport, energy, irrigation, water supply, sanitation etc.) and social infrastructure facilities for delivery of health, education and public administration. These, in turn, create the productive capacity for a country to grow and prosper. Investment choices must be made judiciously and implemented efficiently to avoid waste.

This is particularly crucial for “capital-short”, low income countries, including Tanzania, where a number of weaknesses in PIM have been observed. The weaknesses include poor selection of development projects, unclear roles and responsibility for coordination and implementation arrangements that do not properly internalise the operation and maintenance (O&M) and recurrent cost implications of new development projects. The reviews also show there are critical shortages of project appraisal, procurement and management skills. In many instances, too, earnest attempts to link project selection to national priorities are impaired by political interference which, more often lead to choices of projects that do not meet criteria or too many projects for the thin resource envelope. As a result, countries experience under-implementation of projects as scarce resources are thinly spread, with low impact.

The Chilean example shows that success factors include not only (1) discipline in public finance management but also (2) an unrelenting adherence to agreed methodologies for preparing and assessing projects, including specified shadow prices and a social discount rate (3) continuous training of government officials in project analytic techniques (4) a transparent project data bank for efficient coordination (5) legal power of the Ministry in charge of “passing” the projects that meet the criteria and only to the limit of available resources at the Ministry of Finance and (6) political understanding and support.

Reflecting on the current play of Tanzania’s PIM against crucial features of an effective PIM and best practices indicates that there is vast scope for improvement on many of these features. These include screening, skills in project appraisal, role of an independent reviewer and the “gate-keeping” function of an authority legally empowered to do project selection on the basis of national priorities. Project implementation weaknesses range from quality of procurement to actual capacity on the ground for O&M and M&E.

This Manual

This Public Investment Management Operational Manual (PIM-OM) (Version 1) provides guidance on methods and procedures involved in selecting, financing, implementation and evaluation of public investment projects in Tanzania. It outlines a set of important technical approaches and tools for economic, financial and social analyses of projects, guidance on
various stages of project cycle and monitoring and evaluation (M&E) of these projects. It also links the process to the government budget and introduces the idea of project data bank.

Specifically the manual aims at acting as basis for enhancing coordination and coherence of public investments, elaborating the procedures for integrating projects in the national development budget. The manual is primarily meant to be a capacity-building tool: it amplifies the areas where technical capacity is particularly weak in Tanzania.

The targeted users of the manual are technocrats who prepare proposals for development projects in MDAs, regional secretariats and LGAs for financing through the development budget. Other key targeted users include potential PPP investors (PPP here is treated merely as one of the financing mechanisms), Parliamentarians, development partners, financial/economic analysts, Civil Society Organizations (CSOs) and the general public.

**Organisation of the Manual**

The manual is organised in two main parts. *Part I*: introduces the subject matter - background and context of the PIM in relation to national development plans and justification for developing the manual. It then proceeds to presenting the current state of public investment management in Tanzania in terms mainly of the institutional set-up and the roles and responsibilities of the public institutions. The main highlight of the manual here is the proposed improvements in terms of setting up a strong *Division of Public Investments* and a *Joint Public Investment Management Committee (JPIMC)* both within the POPC for technical screening as only some of the key steps towards strengthening the institutional capacity of the Commission towards enabling it to perform an independent reviewer role.

While *Part I* underlines the importance of the country’s development frameworks as a first guide to the selection of areas for public investment projects, *Part II* carries the core technical chapters; it aims at providing guidance on project preparation and project appraisals (including the different technical tools and selection criteria thereof), project implementation and related management issues like contracting and negotiations, financing arrangements including links to the development budget and PPP as well as the Monitoring and Evaluation. An attempt is made to include the place of an independent reviewer, proposed to be the POPC or an institution in-charge of the government development budget but with legal authority to ensure impartiality and enforce accountability for the results for the “passed” projects. The last chapter is an add-on case for establishing the national project data bank, a new initiative.

The core chapters (bulk of Part II) represent a first attempt at exploring the essential features of the PIM and these are areas tipped for further capacity strengthening. This is because the “topics” are essentially wide, meriting full-fledged training programmes. The chapters therefore present the bare-bones of the techniques to be a common reference framework which, for decades, government experts have long demanded to have. Thus, with reference to possible application in Tanzania, therefore, the narrative of the techniques and procedures proceeds to cover:
- the approaches and methods in preparing public investment project proposals and procedures for submitting the documents for development budget requests;

- the technical approaches to investment appraisals, including, inter alia, guidance on feasibility study or studies (FS), Cost-Benefit Analysis (CBA) and a set of other quantitative techniques and criteria for deciding on the feasibility, viability, bankability etc. of a project;

- insights on project financing, projects financial management, financial resource allocation, disbursement and utilization and the link to PPP as a financing mechanism;

- project management and monitoring (M&M), Results-Based Management, Results Chain and performance measurement and monitoring,

- principles of public investment project evaluation (independence, ethical, credibility, legal mandate, transparency and timeliness), as well as types of evaluation including economic and financial evaluation, evaluation criteria, designs and the type of studies required to inform the evaluation process.

The last chapter (Chapter 8) proposes a practical need for a “National Project Data Bank” (NPDB) as efforts get underway to mount capacity building on PIM technical aspects outlined in the manual. The project data bank has long been used in many countries, initially introduced as a filing system, then standardised and latterly computerised. The data base collects, organises and stores for retrieval and use, key data and information about the existing and prospective projects that have been appraised and those that are ready (e.g. bankable) for financing (through budget and/or loans etc.) and a coordination tool.

**Way forward Post-Script**

Needless-to-say, as a first ever version, this manual will continually be improved as training for its targeted users gathers momentum and more international experiences are internalised. A detailed proposal for capacity development programme in public investment programming is underway as a second major part of the initial POPC concept on Strengthening Public Investment Management in Tanzania. The training modules and programmes will give more details, exercises and case studies on the major technical approaches in the core chapters.

It is recognised, however, that there is more and deeper to PIM than project analytics. This initiative has to go hand in hand with improved public finance management, internal/commitment controls, better matching of anticipated revenues to planned development expenditures, disbursements, procurement etc. Further, training will best venture into such critical gaps for Tanzania as the capacity for contract management, negotiations, legislation related to PIM institutional set-up, and not least, gearing up for a country’s project data bank.
Part I: Background and the Institutional Setting of the PIM in Tanzania
CHAPTER 1
INTRODUCTION

1.0 The Public Investment Management Operational Manual (PIM-OM)

Public Investment Management - Operational Manual (PIM-OM) is intended to assist the Government of Tanzania in selecting, implementing and evaluating public investments in the manner that ensures value-for-money and promote economic and social wellbeing postulated in the national development frameworks through efficient and effective management of public investments.

The manual shows the institutional arrangements, that is, the roles and responsibilities of various actors in public investment process. However, the bulk of the manual provides guidance on the procedures and tools used in the programming and evaluation of public investments i.e. the economic, financial and social analyses of public investment projects, project cycle, project selection criteria, financing, monitoring and evaluation (M&E) and management of database for public investment projects. It impresses on the capacity strengthening needs for the country to accumulate expertise in public investment analytical techniques.

1.1 Context: PIM and National Development Plans

Tanzania Development Vision 2025 provides directives on how development in the country should proceed, aiming to attain middle income status by 2025. Tanzania has, since year 2000, been implementing results-based development plans and strategies including the Poverty Reduction Strategy Paper (PRSP I, 1999/2000-2002/03); Tanzania Mini-Tiger Plan (2005–2020); the first National Strategy for Growth and Reduction of Poverty (NSGRP I) (2005/06-2009/10) and NSGRP II (2010/11-2014/15) and the Long-term Perspective Plan (LTPP) (2011/12 to 2025/26). The LTPP puts emphasis on accelerating the growth momentum towards Vision 2025 targets. Currently, Tanzania is implementing the first (of the three) Five Year Development Plans (FYDP) under the LTPP - FYDP (I) (2011/12-2015/16), that will be followed by FYDP (II) (2016/17-2020/21) and FYDP (III) (2021/22-2025/26).

The first FYDP is focused on promoting economic growth by resolving the critical growth constraints; the second and third FYDP respectively, focus on industrialization and attainment of competitiveness-driven export growth. All these require efficient allocation of the scarce public resources in major development projects.

However, the management of public investment projects has been hampered weak coordination, weak procedures for selecting and integrating the projects in the government’s development budget and insufficient technical capacity in government in identifying, monitoring, evaluating and making choice among competing public investment projects basing on objective, transparent criteria.
1.2 Purpose of the Manual

The government has prepared the PIM-OM to guide Ministries, Departments and Agencies (MDAs), Regional Secretariats (RSs) and Local Government Authorities (LGAs) on PIM with a focus to achieving value-for-money outcomes through increasing efficiency and effectiveness of public investments. Specifically, the manual is intended for the following:

(i) To act as an instrument for enhancing coordination of public investments: The manual presents a common point of reference for the coordination of all public investments, information collection and mechanisms for analysing costs and benefits of development programmes, and efficient ways in which public resources should be allocated.

(ii) To elaborate procedures for integration of projects into the national development budget: The manual covers the necessary procedures for selection and inclusion of development projects in the budget (e.g. in relation to the Plan and Budget Guidelines, budget cycle timing, consistence, progress reporting etc.).

(iii) To act as capacity building tool: Much as the manual is for operational procedures, it is so crafted in such a way that it can serve as a basis for further enhance capacity development across government units in the areas of economic and financial analyses of public investments. Increased capacity development around PIM-OM will also be directed at establishing national project data bank.

(iv) To act as a link to Public-Private Partnership (PPP) Arrangements: The manual also guides on how public investments can be linked to private sector participation in public projects, with PPP as one form of financing.

1.3 Rationale for the Manual

In view of the scarcity of the domestic and foreign financial resources, the financing gap is wide. For this reason, public financial resources should be invested prudently and efficiently in development projects that yield maximum impact in core priority areas set in the national plans. This manual is about a mechanism that ensures that the public resources across various social and economic sectors are efficiently allocated in a transparent, coordinated and well managed. And, as noted above, it will contribute towards enhancing the level of expertise in government in the way the major public investments are analysed, selected and included in the national budget, and the ways the projects are implemented, evaluated and finally their information captured and stored in the national project data bank for various users. It is further intended that the choice of large public investment projects will also be guided by the need to invest in those areas that leverage the private sector in order to attract the private sector and the public private partnership (PPP) investment resources.

1.4 Targeted Users of the Manual

The targeted users of the manual are technocrats who prepare proposals for development projects in MDAs, RSs and LGAs. The users are expected to have some background in economics, finance, management, engineering, statistics, policy analysis, inter alia, and will therefore find the manual a useful reference. Other key targeted users of the Manual include
the private sector and potential PPP investors, parliamentarians, development partners, financial/economic analysts, Civil Society Organizations (CSOs) and the general public.

1.5 Layout of the Manual

The manual is presented in two major parts with a total of eight chapters supported by annexes. Part I: Background and an Institutional Setting of PIM Management in Tanzania, has two chapters. Chapter 1 introduces the subject matter - background and context of the PIM in relation to national development plans and justification for developing the manual. Chapter 2 presents the current state of public investment management in Tanzania in terms mainly of the institutional set-up and the roles and responsibilities of the public institutions. The high point of the manual here is the proposed capacity improvements in terms a strong “Division of Public Investments” and establishment of a Joint PIM Committee both within the POPC as only some of the key steps towards strengthening the institutional capacity PIM and towards enabling POPC to perform an independent reviewer role.

Part II is the mainstay of the manual which carries the major technical tools, procedures, steps and principles involved in the analyses, selection, implementation and monitoring and evaluation of public investment projects in five main chapters (Chapters 3-7).

Chapter 3 presents the approaches and methods of preparing public investment project proposals and procedures for submitting the documents for budget requests.

Chapter 4 focuses on the technical approaches to investment analysis, including, inter alia, guidance on feasibility study or studies (FS), steps involved in Cost-Benefit Analysis (CBA) (e.g. valuing costs and benefits, Net Present Value (NPV), benefit/cost ratio, Internal Rate of Return (IRR) and analysis of risk, among other analyses. The importance of an independent reviewer is emphasized in this section.

Chapter 5 provides insights and guidance on project financing as well as strategic link to PPP as a financing mechanism, PI projects financial management, especially appropriate financial resource allocation, disbursement and utilization.

Chapter 6 picks on the concepts used in project management and monitoring (M&M), including monitoring, Results-Based Management, Results Chain and performance measurement and monitoring and evaluation while Chapter 7, among other things, provides principles of PI project evaluation such as independence, ethical, credibility, legal mandate, transparency and timeliness. The chapter guides on types of, evaluation criteria, designs and the type of studies required to inform the evaluation process. Chapter 8 introduces the concept and essence of the Project Data Bank and reporting formats.
CHAPTER 2
INSTITUTIONAL SETTING OF PUBLIC INVESTMENT MANAGEMENT IN TANZANIA

2.0 Introduction

This chapter presents the key terms and process of public investment management in Tanzania. Based on a review of other countries’ experiences, it then proposes improvement in institutional arrangements including the formulation of Joint Public Investment Management Committee (JPIMC), with the POPC assuming the secretariat role to the committee and a stronger unit or rather Division of Public Investment at the POPC. The chapter shows the roles and responsibilities of key actors in PIM process. Annex A1 summarises selected best practices around the world.

2.1 Definitions of Key Terms

This section provides definitions of key terms as synthesised from the public investment literature. The synthesis includes the terms and aligning them to the Tanzanian context.

2.1.1 Public Investment Project and Programme

Programmes and Public Project can be defined as follows:

**Programme**: Programme is a comprehensive scheme within a sector, comprising of projects. A programme sets some targets within a specified period of time, normally medium-term or long-term. It is usually linked to the National Development plans and strategies.

**Public Project**: Public project is public investment scheme with specific purposes (mainly to attain public utility) within a certain period of time, usually medium-term or long-term. Implementation of the project is done within this specified period based on the agreed activities. A project is separable unit, planed, financed, implemented independently, and distinct from a programme that may comprise more than one project.

In the context of this manual, programme is time-bound intervention that differs from a project in that it usually cuts across sectors, themes and/or geographic areas, uses a multi-disciplinary approach, involves more institutions than a project, and may be supported by different funding sources. Programmes and Projects are logically linked. Normally, programme would comprise one or more projects. Thus, project is a component necessary for meeting objectives and goals of a programme.

In Tanzania’s context, Public Investment Programme is a key component of the national investment plan, a plan to achieve broad development goals in the TDV 2025. In this manual, PI programme is defined as a comprehensive scheme, which comprises development projects.
Implementation of the PI programme aims at achieving socioeconomic objectives in line with national development plans and strategies.

2.1.2 Project Planning

This is a stage where a PI project is identified, formulated and designed. It is also a step where necessary environmental and social assessments are done. This stage includes project appraisal which is defined as an overall assessment of the relevance, feasibility, and potential sustainability of a series of interventions prior to a decision to undertake or fund them.

2.1.3 Project Monitoring

This is a stage where progress of the project implementation (construction and/or project activities) is monitored. When the project is not implemented as planned, reasons for non-performance are analysed and countermeasures taken. Monitoring is an integral part of the results-based management (RBM). In this manual, the RBM is defined as management strategy focusing on performance and achievement of outputs, outcomes and impacts.

It is the responsibility of the Manager of Project (MP) to do day to day management of the project and reporting system. In this manual, MP is a legal person(s) responsible for overseeing the implementation of PI project, and to monitor and report its progress. For all PI projects, MPs are appointed from the personnel of the subject sector. They are appointed from the MDAs, RSs and LGAs, depending on the size and characteristics of the project. If the project covers multiple sectors, one MP is appointed as the leader, with personnel from each of the related sectors appointed as supporting members.

2.1.4 Project Operation Project Completion

*Project Operation* is a stage where actual operations of the project begin to deliver services/goods, whereas project completion is a stage where the PI project is completed and the objectives of the project (Project Purpose) are achieved (construction of facilities or completion of technical promotion, etc.). It is also the stage when the facilities constructed or results produced are handed over from the Project Owner to the organisation in charge of operation and maintenance.

2.1.5 Project Database

This is a repository of public projects information/data. PI project information is collected in order to facilitate assessments, monitoring and evaluation. The MDAs, RSs and LGAs shall prepare necessary documents related to the project and POPC shall compile comprehensive dataset of the national projects.
2.2 Classification of Public Investments

2.2.1 Classification Based on Cost of Investments

Public investment projects may be grouped in three categories based on amount of investment outlay/cost. The categorization is informed by the experience of other countries (e.g. Lao) and the recommendations from Tanzania’s PER, 2010.

*By this classification, projects are differentiated based on investment cost such that:*

- Project Type I (large): costing more than TZS 50 billion
- Project Type II (medium): costing between TZS 5 to 50 billion
- Project Type III (small): costing less than TZS 5 billion

For effective coordination and management of PI projects, different levels of organizations are authorized to coordinate public investment projects depending on its category. POPC will coordinate and advise the government on large and medium size central government projects.

While national public investment projects of types I and II should be coordinated by the POPC, RSs and LGAs should coordinate projects that are at their levels. Projects management requisite capacity of the applying RSs and LGA will be proved by the POPC for projects of Types I and II to be handled at these levels.

2.2.2 Classification Based on Criteria Other than Cost

PI may also be classified based on other criteria such as level of priorities, financing possibilities, productivity and time it takes for the returns to start flowing and strategic outcomes/effects. For coordination and management PI projects can be placed in *clusters*. The proposed projects may be ranked based on the weighted importance in the context of the following four conceptual dimensions of choice:

*Dimension 1*: By national plans’ priorities/urgency: In this cluster projects are ranked according to national plans priorities or urgency. The ordering is such that the most urgent national projects should come first.

*Dimension 2*: By financing possibilities: Public projects can be clustered according to financing options either domestic or foreign. They will be prioritized on the basis of availability of a financing window.

*Dimension 3*: By implementation duration and time it takes for the returns to start flowing. Public projects can also be classified according to the duration of the project (implementation period). In this category, three types are possible, that is, short-, medium- or long-term. A project would be classified according to “quick wins”, i.e. how easily it can generate more output at less cost.

*Dimension 4*: By strategic outcomes/effects. In this dimension projects classification is based on specific strategic goals such as equity and regional development, skills and technological gains, *inter alia*. 
2.3 General Roles and Functions of Organizations in PIM

This sub-section highlights general roles of different actors/organizations in the PIM process. Table 2.1 provides a summary of the roles of the key actors in the PIM.

(a) President’s Office – Planning Commission (POPC)

At the national level, the POPC assumes the following roles:

i) Macroeconomic and growth forecasting and planning in conjunction with MoF.
ii) Formulating and coordinating short-term and long-term national development policies, strategies, programmes and projects.
iii) Coordinating sector plans for projects and programmes.
iv) Creating guidelines for strategic planning.
v) Reviewing, appraising and prioritizing Type I and Type II projects that require public resources.
vi) Assessing the impact of Public Investment Plan with the view to identify strengths and weaknesses.

vii) Acting as overall coordinating institution for the public investment projects of medium and large size.

viii) Formulating guidelines for appraising, implementing and regulating projects and programs, whether implemented by MDAs, RSs, LGAs, private partner or contractor.

ix) Providing guidance, as well as technical and capacity building support to the actors in public investment management.

x) Developing and maintaining the database of PI projects for MDAs, RSs and LGAs.

Division for Public Investments (DPI)

As one of the steps towards capacity strengthening, the POPC will form a dedicated unit or that will be in-charge of managing the development projects and linkage with the development budget. It will also manage the National Project Database (NPDB), (also known as the Project Data Bank). The DPI will be manned by personnel that are highly qualified and experienced in matters of public investment analysis, management, contract management and negotiations, among others, and public finance.

Joint Public Investment Management Committee (JPIMC)

The POPC shall form and serve as secretariat of a high level Joint Public Investment Management Committee (JPIMC). The members of the committee will be selected on the basis of their expertise and experience in technical analyses, policy or legal matters related to development projects and will be drawn from the POPC, MoF, PMO, PMO-RALG, PO-PSM, VPO, the National Investment Steering Committee, representatives of the private sector and invited sector-specific members (depending on the project in question).

For effective coordination of public investments the JPIMC shall assume the following roles:

i) Providing oversight to the PI programmes and projects in view of ensuring value for money.

ii) Procuring independent reviewer for Type I and Type II PI projects; receiving independent reviewer’s reports; and communicating results for actions.
iii) Approving PI projects for funding purposes.
iv) Overseeing PI projects implementation, monitoring and evaluation (ex ante and ex post).

The JPIMC shall draw its members from central ministries, which have significant roles in PI management, as follows:

i) POPC - serving as secretariat to the committee and coordinates all technical aspects related to project appraisal.
ii) MoF – serving as a member and coordinator of all financing related aspects of public investment projects.
iii) PMO – coordinator of government business.
iv) PMO-RALG- serving as Coordinator of the operations of LGAs.
v) PO-PSM-providing guidance on issues related to schemes of service and organisational issues
vi) VPO- providing inputs on the environment, climate change issues as per national policies on the same.

Line Ministries and their respective agencies shall be invited by the committee as shall be deemed necessary.

Ministry of Finance (MoF)

MoF shall assume the following roles:

i) Coordinating the overall budget process.
ii) Mobilizing, allocating and disbursing resources for financing PI projects. The MoF is thus the central ministry in charge of financing all PI projects.
iii) Managing fiscal and monetary aspects that are implied by investment programmes and projects.
iv) Managing debt and external financing of public programmes and projects.
v) Serving as a member of Joint Public Investment Management Committee.

Prime Minister’s Office (PMO)

Acting as an overall coordinator of day to day government activities and serving as a member of Joint Public Investment Management Committee.

Prime Minister’s Office, Regional Administration and Local Governments (PMO-RALG)

PMO-RALG shall play the following roles:

i) Coordinating public investments originating from RSs and LGAs.
ii) Linking types I and II projects originating from RSs and LGAs to the POPC for approval process.
iii) Maintaining database of all Type III projects.
iv) Serving on the Joint Public Investment Management Committee.

President’s Office – Public Service Management

In-charge of capacity development of the civil service and to play similar role on the JPIMC.
Line Ministries

These are ministries responsible for supervising and guiding the implementing agencies. Specifically, they shall:

i) Providing policy and sector guidance on investment programmes and projects.
ii) Preparing sector specific objectives and strategic plans.
iii) Conducting preliminary screening of projects originating from the respective sector, including ranking projects by priorities.
iv) Collaborating with POPC in projects monitoring and evaluation.
v) Cooperating with independent reviewer in evaluation of PI projects proposals.
vi) Managing database for PI Projects in the respective sectors.

Regional Secretariats

Regional Secretariats shall oversee public projects within regions mainly those implemented by the LGAs. The specific roles of RSs shall be:

i) Participating in the preparation and administration of the projects implemented in regions.
ii) Providing support to LGAs in creating and managing projects.
iii) Managing PI projects database in their respective regions.
iv) Implementing regional PI projects.
v) Managing projects finance according to public finance management regulations.

Local Government Authorities

LGAs are a vital link in the implementation of priority development programmes and projects. The major function of LGAs is to ensure realization of social, political and economic development to the citizens. The roles of LGAs shall be:

i) Originating PI projects at the local level.
ii) Implementing LGAs’ PI projects.
iii) Reporting PI projects progress to RSs, sector ministries and PMO-RALG.
iv) Managing projects finance according to public finance management regulations.
v) Managing PI projects database in their respective LGAs.

Parliament

As an oversight institution, the roles of Parliament shall be:

i) Approving resources for implementation of investment programmes and projects.
ii) Providing advisory guidance to respective implementing authorities.

President’s Delivery Bureau (PDB)

Overseeing effective implementation, monitoring and evaluation of strategic public investment projects which fall under the Big Results Now (BRN) initiative

Implementing Agencies /Contracting Authority: Their key function is to implement the projects as approved by JPIMC. These specialized agencies shall:

i) Providing day to day management of the project.
ii) Reporting projects’ progress to the line ministries and POPC.
iii) Reporting progress of Type III RSs and LGAs projects’ to the PMO-RALG.
iv) Recording and updating project financing information in the Management Information System.

Development Partners: Development partners will be responsible for the following:

i) Supporting, financing and providing technical assistance for the implementation of proposed PI programmes and projects.
ii) Aligning their commitments to the national processes and priorities including PI management processes.

Private Sector: Private sector will play the following roles:

i) Initiating projects as per PPP arrangement.
ii) Providing technical expertise for implementation of the projects.
iii) Mobilizing resources for implementation of the projects.

Tanzania Investment Centre (TIC)

i) Promoting a positive business environment for private sector investment, both local and foreign
ii) Promoting SMEs growth and linking them up with joint venture partners

Civil Society Organizations (CSOs) and General Public

CSOs and General public will assume the following roles:

i) Participating in initiation of PI projects ideas
ii) Supporting projects implementation and demand for accountability
iii) Participating in protection of public assets.

Table 2.1 Summary of the Roles of Key Actors in PIM

<table>
<thead>
<tr>
<th>S/N</th>
<th>Actor</th>
<th>Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>President’s Office - Planning Commission</td>
<td>PO-PC as a think-tank to play the strategic role in formulating guidelines, reviewing and assessing, appraising and approving projects that require public resources before Cabinet decision. The Commission to develop and maintain project database, assess the impact of public investments with the view to identifying strengths and weaknesses and act as overall coordinating institution and facilitator for all actors</td>
</tr>
<tr>
<td>2.</td>
<td>Ministry of Finance</td>
<td>MoF will mobilize, allocate and disburse resources for financing investments, and disbursement of funds. The Ministry will factor all fiscal and monetary aspects that are required for an investment plan to be executed including issuance of Government Guarantee, if any.</td>
</tr>
<tr>
<td>3.</td>
<td>Joint Public Investment Management Committee (JPIMC)</td>
<td>The Committee will provide oversight to PI projects, including approving and overseeing implementation of monitoring and evaluation (ex ante and ex post). The JPIMC will also coordinate the independent review process.</td>
</tr>
<tr>
<td>4.</td>
<td>Prime Minister’s Office</td>
<td>As overall coordinator of day-to-day government activities, PMO will ensure the investment plan meets public interest and public regulations are adhered to and that people support implementation of the plan</td>
</tr>
<tr>
<td>5.</td>
<td>Prime Minister’s Office, Regional</td>
<td>This is a strategic Ministry, providing guides to RSs and LGAs on projects that follow under its mandates. The Ministry shall link Types I and II projects</td>
</tr>
<tr>
<td>S/N</td>
<td>Actor</td>
<td>Roles</td>
</tr>
<tr>
<td>-----</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>6.</td>
<td>President’s Delivery Bureau (PDB)</td>
<td>Oversee effective monitoring and evaluation of strategic public investments projects that are placed under the <em>Big Results Now.</em></td>
</tr>
<tr>
<td>7.</td>
<td>Parliament</td>
<td>Parliament, as an oversight institution, has a mandate of approving resources to the investment plan/projects. It provides advisory guidance to respective implementing authorities or agencies.</td>
</tr>
<tr>
<td>8.</td>
<td>Line Ministries</td>
<td>These are ministries responsible for supervising implementing agencies; have a critical role in preparing sector specific objectives and plans, certifying works and providing policy and sector guides in relation to the investment plan. They help in implementation and monitoring &amp; evaluation in collaboration with POPC and MoF.</td>
</tr>
<tr>
<td>9.</td>
<td>Implementing Agencies/Contracting Authority</td>
<td>The key function is to implement identified and approved projects. These are specialized agencies and are required to do physical implementation as well as provide all technical support for the projects, from procurement to end of the project implementation, reporting progress to the line ministries and POPC. They shall also record and update project financing information in the Management Information System.</td>
</tr>
<tr>
<td>10.</td>
<td>Regional Secretariat</td>
<td>Regional Secretariats shall oversee public projects within regions particularly those implemented by the LGAs, manage database and projects financed at regional level.</td>
</tr>
<tr>
<td>11.</td>
<td>Local Government Authorities</td>
<td>Since LGAs are the sphere of Government closest to the people, they are a vital link in the implementation of priority development projects. The greatest role of LGAs is to ensure realization of social, political and economic development of the citizens. The LGAs shall initiate PI projects at local level, manage PI projects database at LGA level and manage project finance (according to the public finance management regulations).</td>
</tr>
<tr>
<td>12.</td>
<td>Development Partners</td>
<td>Realigning their commitment and support in line with the country’s investment plans.</td>
</tr>
<tr>
<td>13.</td>
<td>Private Sector</td>
<td>Act as initiator of the project and/or as per PPP arrangement; in many cases assisting in mobilizing resources for implementation of the projects.</td>
</tr>
<tr>
<td>14.</td>
<td>Civil Society Organizations and the General Public</td>
<td>Initiation of project ideas, supporting project implementation, and demand for accountability in projects implementation.</td>
</tr>
</tbody>
</table>

### 2.4 Public Investment Planning and Approval Processes

The formulation and approval of PI projects is a bottom-up process beginning from the village grassroots level to the central government, by identifying opportunities and obstacles to development. The process has essentially four components, namely: planning process; plan and budget guidelines; approval process at the national level; and parliamentary authorisation. The processes are implemented sequentially, as follows:

#### 2.4.1 Planning Process

The formulation of PI investment plan in Tanzania has two levels, local and central government levels. At the local level the process starts with identification of projects based on the local conditions through participation of local people and entities to agree on PI projects that will address the constraints faced by the local community. For instance, if the constraint is lack of adequate water supply then this is identified as a project, approved at a grassroots (village), and forwarded to the ward level for consideration. This is done through the approach commonly known as Opportunities and Obstacles to Development (O&OD).
The agreed projects are submitted to the community general assembly and thereafter forwarded to the ward development committee for approval with amendments where necessary. At district level, the approved projects are submitted to the LGA Council Meeting for further process. The proposed projects are deliberated further at this stage and also aligned to the ceilings set by the PMO-RALG before they are submitted to PMO-RALG for scrutinization. At the level of the central government, the projects originate from the respective departments within MDAs before sharing the same with other stakeholders.

2.4.2 Plan and Budget Guidelines

In each fiscal year, during September-December the budget guidelines are issued by MoF in collaboration with POPC to MDAs, RSs and LGAs. The guidelines include policy priorities as articulated in the national plans, macroeconomic and financial projections and estimated budget ceilings. Subject to the ceilings given, the MDAs may now include the approved projects in the budget.

2.4.3 Approval Process at the National Level

With the exception of special projects, like PPP projects, the process of approval of PI projects goes through the MTEFs. This process starts with MoF engaging in a dialogue with MDAs and LGAs to scrutinize submitted budget proposals. Later, they are consolidated and submitted to the Cabinet through the Inter-Ministerial Technical Committee (IMTC). IMTC, on its part, scrutinizes the projects before submission to the Cabinet with appropriate recommendations. Cabinet subjects the MTEF proposals through intense, detailed discussions before approving them. The approval process of PPP projects should be an integral part of PI management since PPP is merely a financing modality. PPP projects must be subjected to similar evaluation criteria like other PI projects including analysis of the comparator projects.

2.4.4 Parliamentary Authorization

Between March and April every year, parliamentary authorization starts with discussions of PI projects, and budget proposals by the relevant sector committees. Between April and June rigorous discussions and final authorisations of sector budgets (MDAs and LGAs) are undertaken before the Minister for Finance presents the Consolidated Plans and Budget Proposal in early June. This is followed by passing the Finance and Appropriation Bill by Parliament that enables Central Ministries, MDAs, RSs and LGAs to start implementing the proposed plans.

2.4.5 Approval Process for Public Investment Project

Based on the best practices, management of PPP projects should be integrated to the overall national PI process, including subjecting the PPP project proposals to similar independent review process. This ensures effective coordination of the PI including avoiding wastage and ensures value for money across all PI projects. Under this proposed arrangement, the approval process for Type I and Type II projects shall go through JPIMC. Later, projects will be consolidated by POPC (DPI) and submitted to the Cabinet Secretariat, then through the Inter–Ministerial Technical Committee (IMTC), whereupon a Cabinet paper is forwarded to
the Cabinet with appropriate recommendations. Upon Cabinet approval the MDAs/contract authority may include the project in the budget.

Figure 2.1 provides a summary of a proposed PIM decision-making process. The approval process is informed by timely issuance of budget guidelines, appropriateness of stated objectives, affordability, cost-effectiveness, and absence of substantial negative side effects as well as consistence with sectoral and national objectives.

**Figure 2.1  Instructional Arrangement for Project Planning and Approval Process**

2.5 **Public Investment Project Management Annual Flow**

Projects must always be in accordance with PI budget schedule so that the appropriate budget for the project would be allocated. The POPC has important roles in the PI annual management flow. POPC requires cooperation of the MDAs, RSs and LGAs (Project Owners). Annual PI project budgets will not be allocated to projects that do not fulfil requirements and standards that are determined by the POPC.

The project cycle can vary by size and may need to be adjusted for the specific character of the sector or a project. However, an indicative time for projects to go from initial concept to implementation is two to three years for large projects. The cycle and all its stages should be clearly laid out in MoF and POPC regulations and guidelines, including possible variations related to size or characteristics. The annual flow management can be divided into the
following 6 stages, which are sequentially summarised in Figure 2.2 and narrated in subsequent subsections.

Figure 2.2  Stages in PI Management Annual Flow

2.5.1  Collection of Project Information

This is a stage where PI project information is collected in order to conduct reasonable and accurate assessment. The MDAs, RSs and LGAs will prepare the projects based on guidelines from POPC. MDAs, RSs and LGAs will prepare necessary documents related to the projects and arrange the projects by priority. The ranking will be according to criteria set by POPC. The MDAs, RSs and LGAs projects will be submitted to POPC and PMO-RALG, respectively, ready for “absolute assessment”.

2.5.2  Absolute Assessment

Absolute Assessment shall be organized by POPC and is conducted by studying each project as an absolute case, without comparing with other projects. The results of absolute assessment are rated. After absolute assessment, POPC will discuss the results with the Project Owners (MDAs, RSs and LGAs), seeking thorough clarification of the project potential. Assessment must be strict, so that the project potential is perfectly ready for implementation. The POPC may require as much improvement from the Project Owners as possible at this stage; otherwise, it may become too late to make changes once the implementation begins. Once countermeasures are clarified by the Project Owners, POPC would re-assess these points, outline the assessment results and move to the next stage, which is comparative assessment.

2.5.3  Comparative Assessment (Compass)

Comparative Assessment shall be conducted by the POPC. The objective of conducting comparative assessment is to find the best choice of PI projects, or best allocation of the budget. The comparative assessment is done by comparing the importance of the multiple PI projects with common assessment criteria.

Comparative assessment results (final decisions on the projects) are communicated back to Project Owner by POPC. Specifically, in a Compass Workshop, all projects and their absolute assessment results will be listed and compared based on agreed criteria. The proposed projects will be ranked in the context of the following four dimensions and information collected as in Table 2.2:

- Dimension 1 – By national plans’ priorities urgency.
- Dimension 2 – By financing possibilities.
Dimension 3 – By productivity and duration before returns.
Dimension 4 – By strategic outcomes/effects.

Table 2.2  Hypothetical Ranking of 4 Public Investment Project (by their dimension)

<table>
<thead>
<tr>
<th></th>
<th>Project 1</th>
<th>Project 2</th>
<th>Project 3</th>
<th>Project 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urgency</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Financing possibility</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Productivity and returns</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Strategic outcomes</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL SCORE</td>
<td><strong>10</strong></td>
<td><strong>14</strong></td>
<td><strong>9</strong></td>
<td><strong>6</strong></td>
</tr>
</tbody>
</table>

Scores are allocated as follows: rank 1 = 4 scored points; rank 2 = 3 scored points; rank 3 = 2 scored points; and rank 4 = 1 scored point.

2.5.4 Presentation of Assessment Results
After conducting both assessments, the results will be summarized. This is done by providing comprehensive assessment results and comments on each project. The results will be filed in the project list ready for the final independent reviewer comments, using Table 2.3 format.

Table 2.3 Comparative Assessment Format

<table>
<thead>
<tr>
<th>AS* Results</th>
<th>Project Name</th>
<th>Assessment Criteria (rating)</th>
<th>Total Score</th>
<th>Comparative Rating</th>
<th>Comprehensive Rating</th>
</tr>
</thead>
</table>

Source: Adopted and modified from Lao (2010); * Absolute assessment (AS)

Independent reviewer shall review the PI proposals of Type I and Type II projects based on the POPC/JPIMC terms of reference and submit reports to facilitate final decision-making.

2.5.5 Choice of Project for Financing
Based on the summary of assessment results and the independent reviewer’s comments, the JPIMC shall make final decision of which PI projects will be implemented under the next year’s budget. The decision making process differs according to the size of the project. Decisions on project Type I and Type II shall be made by JPIMC while decisions on the RSs and LGAs’ projects (of Type II and Type III) shall be made by the PMO-RALG. The decisions will be communicated to the respective Project Owner.

2.5.6 Feedback
Feedback involves the collection and dissemination of findings, conclusions, recommendations and lessons from experience. In the management of public investments, giving feedback should be a two way traffic requirement among the actors in the PI
management process. Feedback as a process is part of project monitoring and reporting requirements.

2.6 Sources of PI Projects Resources

Broadly, resource inputs for public projects’ implementation could be delivered in one or a combination of the following modalities:¹

i) **Public funding**: Funds are provided by the central and/or local governments to a project directly or indirectly through a government department, an agency or a statutory corporation – in different forms depending on the role of the government in the project. The contemporary view is for government to make (public) investments that leverage the private sector and Public-Private Partnerships (PPP).

ii) **Private funding**: Financing includes own funds and funds sourced privately by the private counterparts from the financial markets – comprising stock market, commercial banks, investment banks and/or financing firms. They provide and invest the funds in projects in terms of equity and/or debt.

iii) **Multilateral and bilateral funding**: These provide funds [in terms of equity, debt, or grant], guarantee as well as technical assistance to a project. Annex A2 provides a summary of the roles played by selected multilateral agencies in projects finance.

iv) **Community mobilisation**: Resources are mobilized within communities to finance projects within the same local areas.

Financing projects through budgetary appropriation is the most common approach when the government is using its own funds or funds for which it has discretion. Such funds are channelled through MDAs, RSs and LGAs for projects they implement or those implemented by institutions under them.

Projects can also be financed through development partners, donors and other sources. These include loans, grants, donations and gifts. There are three channels through which funds from development partners and other sources finance the budget:

i) **Direct Project Support**: This is a mechanism where financiers can channel funds directly to a particular project. This approach is done through the budget.

ii) **Programme Support**: Under this approach, funds are captured in the budget but are directed to a particular programme as determined by the fund providers in consultation with the government.

iii) **General Budget Support**: Through this approach, the funds are channelled directly to the government budget and the discretion to use such funds rests exclusively on the government.

¹ “Financier” needs to be viewed in the broad sense to include those who bring assets or other resources in order to acquire equity or liability in the SPV.
2.7 Project Management Tasks

Project Management provides a sequential logical flow of activities from the stage of project conceptualization until the project completion stage. In practice, every stage of a project or a program plays an important role towards the realization of its objectives. Implementing the project (step no. 5) is by far the most critical and resource intensive part of any project. In essence, it is the care and effort devoted during the earlier stages and especially from the project start up to its initiation that makes the most significant contribution to success of the project. Figure 2.3 provides guidance for the project management tasks at each step in the project lifecycle.

Figure 2.3 Project Management Guide

**Step 1: Starting up a new project**

The project management/promoter or CA should:
- Define and justify the need for the project.
- Ensure it is aligned with strategic/business plan of the respective MDAs, RSs or LGAs
- Specify, quantify and agree desired outcomes and benefits.
- Appoint a project manager and where necessary set up a project board.

**Step 2: Authorization to proceed to project initiation**

The project owner/promoter must decide whether it is sensible and viable to proceed into the initiation stage of the project.

**Step 3: Initiating the project**

The project management team should:
- Plan how to deliver the required outcomes and benefits
- Decide how to manage relationships with key stakeholders
- Decide how to project and manage the delivery process
- Determine resource requirements and ensure they can be made available when required
- Develop Business Case to enable the Project management/Board to decide whether project is cost and risk justified
  - Document the understanding of the project and how it will be managed in a PID

Figure 2.3 Project Management Guide (continued)
2.8 Capacity Building for Requisite Skills in PI Management

To deliver on public investment, POPC and other actors shall address capacity issues including human resources through comprehensive or tailor-made capacity building programmes.

In the context of this manual, capacity building is a process that leads to: (i) skill upgrading (both general and specific); (ii) procedural improvements; and (iii) institutional strengthening. Capacity building refers to investment in people, institutions, and practices.
The right decisions and proper implementation of public projects will require a combination of various skills. Table 2.4 shows skills requirements for project development team (PDT) project leader and members, project decision makers contract management team (CMT).

Table 2.4  Skills Requirement and Roles for Effective Public Investment Management

<table>
<thead>
<tr>
<th>Team</th>
<th>Responsible persons/institutions</th>
<th>Required skills</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Development Team (PDT)</td>
<td>1 PDT Leader</td>
<td>• Specialized (sector specific) knowledge of the respective project&lt;br&gt;• Clear understanding of national guidelines</td>
<td>Lead project development/initiation for decision making</td>
</tr>
</tbody>
</table>
|                               | 2 Sector specific technical personnel/experts | • Sector-specific expertise  
• Clear understanding of national guidelines |                                                             |
|                               | 3 Project Analyst                 | • Project analysis techniques  
• Clear understanding of national guidelines |                                                             |
|                               | 4 M & E Specialist                | • Project Appraisal  
• Project Management  
• Contract Management  
• M&E  
• Knowledge on environmental and social impact assessment |                                                             |
| Project Decision makers       | 1 POPC (PIU)                      | • Clear understanding of national guidelines  
• Public Finance  
• Project analysis techniques  
• Project Management  
• Specialized (sector specific) knowledge of project  
• M&E  
• Negotiation  
• Contract management | • Project selection  
• Project approval  
• M&E | |
|                               | 2 JPIMC                           |                                                                  |                                                             |
|                               | 3 Ministry of Finance             |                                                                  |                                                             |
|                               | 4 MDAs, RSs, and LGAs            |                                                                  |                                                             |
|                               | 5 Designated Parliamentary Committee |                                                                  |                                                             |
|                               | 6 Risk Management Analyst        |                                                                  |                                                             |
|                               | 7 Stakeholder(s) like financiers  |                                                                  |                                                             |
| Contract Management Team (CMT)| 1 Accounting Officer, Technical Personnel/Experts | • Procurement  
• Finance  
• Clear understanding of national guidelines | • Management of project financing  
• Resolving technical issues in contract management |
|                               | 2 Ministry of Finance             |                                                                  |                                                             |
|                               | 3 Line Ministries, RSs and LGAs   |                                                                  |                                                             |
Part II Techniques and Procedures
CHAPTER 3
PUBLIC INVESTMENT PROJECT PREPARATION

3.0 Overview
This chapter explains the approach and methods of preparing public investment project proposals, and submitting appropriate documents for PI budget request. The chapter also presents five types of proposal formats designed for PI projects that are newly planned or in the study/designing stages, or uncompleted projects that have been redesigned and expected to resume after it was suspended for more than 2 years. The chapter and proposed formats are adopted from the Manual for Public Investment Program (PIP) of Lao Republic, particularly Section III and VI.

3.1 Strategic Guidance and Project Planning
Public Investment Project (PI) planning is a dynamic process which involves analysis and thinking of a package of economic and social policies expressed with quantified targets and objectives to be achieved during a defined period. It is a process of setting goals, developing strategies, outlining the implementation arrangements and allocating resources to achieve those goals. Project planning is the early stage of the project cycle, and it involves four levels:

i) Strategic guidance, including identification of the vision, goals or objectives to be achieved.

ii) Formulation of the strategy needed to realise the above.

iii) Determination of resource allocation.

iv) Outlining the implementation arrangements (which include M & E).

3.1.1 Strategic Guidance in PI Identification
Public Investment Project planning should start with establishing a strategic case in relation to priority issues and areas stipulated in the national development frameworks such as the FYDP and MKUKUTA, which interpret the long term national development vision in the Development Vision 2025. All PI projects should be identified in relation to issues that are already defined in overarching national development framework.

The initial phase is concerned with the identification of projects, particularly focusing on establishing their desirability and priority in the agreed national development frameworks. The phase usually involves identifying gaps to be filled/or market failure to be addressed as well as the priority level to be attached to the project. Even under the PPP framework, unsolicited projects should fully aligned to the agreed national development frameworks.

The task of project identification is routinely performed during the planning process at the MDAs, including POPC, as well as RSs and LGAs. This is why it is important that the Government should have, at any point in time, a credible strategic guidance to public
investment, which can be meaningfully interpreted at sector or sub-sector levels.

**Guidance 3.1: Strategic Guidance in PI Identification**

All actors involved in IP identification (initialization) – MDAs, RSs, LGAs, and Private Sector - are required to show specific link of the proposed project to agreed national development frameworks. This link will be one of evaluation criteria in subsequent stage in project evaluation and selection.

### 3.1.2 Preliminary Screening

All government body and private sector which initiates any project of Types I, II and III shall be required to prepare a “Project Concept” in order to allow preliminary screening of the project. Project of Type III and those of type II but under RSs and LGAs will be scanned at ministry level while national projects of Type I and II will be screened by POPC.

**Contents of the project concept and criteria for Screening**

The project concept note should show which market failure the proposed intervention will address. It should demonstrate that the project is not attractive to the private sector. If it is attractive to the private investor, a private provider should be identified to undertake the investment or to engage in some form of Public Private Partnership (PPP). Only projects which are not financially attractive (profit making) should seek public financing.

The project concept should meet several criteria, notably, meeting needs consistent with sectoral and national objectives, i.e. the concept should reflect objectives in national strategies and plans as well as sectoral investment plans (SIPs). Also, the project concept should provide a brief review/analysis of socio-economic situation; size and scope; financing options; debt service capacity; profitability; and overall evaluation.

**Guidance 3.2: Basic contents of the Project Concept**

While the PPP project should follow the PPP Act, PPP Regulations, and PPP guidelines, it is important that all strategic cases for all PI should include the following at minimum in establishing their strategic cases.²

i) Current position, current situation and the way forward to project achievement and the goal.

ii) The next 3 - 5 years policy initiatives.

iii) Linkages to the priorities set by the government, including sector’s strategic plan and how the project relates to the plans, strategies and performance measures.

iv) Why this project is the preferred alternative and how the project will address documented needs.

v) The alternatives considered and the consequences of deferring the project.

**Responsibility of establishing a strategic case – project concept**

It is the responsibility of the line ministry, agency, RSs, LGAs, or public enterprise (hereinafter ‘public body’), as well as the private sector through PPP framework, to formulate concepts and establish the strategic case for a project. It is the responsibility of every public body to identify the investment needs as per its sector, for example, through research activities, funding opportunities, overall planning process, etc.

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² This guidance is a blend of the best practices from Scotland, Wales, and South Korea.
Note that in establishing the Project Concept, the participation of stakeholders must be guaranteed. As such, when developing the strategic case, the public body or the private sector may seek the advice of other public bodies having experience in such type of investment projects.

The project identified and agreed at sector level after passing the preliminary screening will form part of the project database under POPC (or its coordination to start with) as is Chapter Nine. However, it should be noted that, given the dynamics of the sector involved, the list should be revised as the situation evolves with time. It is the responsibility of POPC to oversee and coordinate timely update of the project database.

As a next step, the prioritized projects at the preliminary screening can be considered for the next stage of project planning as outline below in subsequent sections of this chapter and the technical aspects presented in Chapter 4. The format and issues to be considered for inclusion in the project documents are outlined in subsequent sections.

### 3.2 Project Framework

Public bodies will be required to prepare a Project Framework for each positively rated project during the preliminary screening. The Project Framework shows how to express the project in a logical manner. The public investment project proposal should be arranged in this framework in order to allow comparable accurate assessment and evaluation. The project framework shall consist of two components that are closely related to each other. These are:

i) **Narrative Summary**: This is a summary of the project that expresses logical link from the overall goal of the project: project purpose; outputs; activities and inputs. They are usually expressed in simple sentences so that the logical relations between the steps are clear.

   ii) **Objectively Verifiable Indicators (OVI)**: These are specific figures or conditions that express the guidelines of completion or achievement of the overall goal, project purpose and outputs as presented in the narrative summary.

The project owner/promoter shall prepare both the narrative summary and verifiable indicators during the project planning process.

#### 3.2.1 Narrative Summary

The following are the logical components of the narrative summary.

**Project Purpose**

This is the statement of the direct objective of a project, which is expected to be achieved at the completion of the project. The project purpose is the condition that must be cleared up to the stage when the project starts to operate and deliver goods or services it was designed for. Generally, no more than one project purpose is set up for a project. An important aspect when setting up the project purpose is to ensure that the target beneficiaries and location are appropriately specified. Some examples of the statement of project purpose are:

i) Completion of a water dam irrigation system along with the establishment of a water
user association that will manage its fee collection and maintenance.

ii) Completion of renovation of a district hospital, including installation of new medical equipment, along with training for use and maintenance.

iii) Completion of electricity lines and connection to all villages in Kibondo district.

Note that, a clear statement of the beneficiaries is required so that it is easy to identify its true effects towards achieving the development target. The purpose statement should be drawn from the original situation before the project starts as reflected in the feasibility studies.

**Overall Goal**

This is an indirect development effect the project is expected to bring about. It is the effect which is likely to be observed few years after the project is completed. It is a statement that describes the direction in relation to the development goal of the sector or the nation.

The following are examples of the overall goals derived from the statements of the project purpose above:

i) Increased rice production at the irrigation area, in terms of the total amount and yield.

ii) Cure to more patients within the district, with substantial reduction of referral cases to the regional hospital.

iii) Electrification of “specified number” of rural households or a “specific percentage” of households in Kibondo district.

Some projects may have more than one goal. In such cases, the project promoter must identify which one would have more priority than the other.

**Outputs**

Outputs are components of a product/service that build up to the completion of a project. Each output is defined by a different task, or “small projects in a major project” that are required to achieve the purpose in the end.

Depending on the nature and design of the project, there can be several project outputs. However, it is not advisable to target too many outputs for a single project. Generally, 3 to 5 outputs should be enough. Output should be linked to the statement of the purpose such that, the project purpose cannot be achieved unless all the project’s outputs are properly achieved.

The following are the four examples of outputs for the irrigation project for which project purpose was stated above: *Resettlement carried out; water dam construction completed; canal construction completed; and water users association formed.*

Note that some outputs must be completed before others could start. In this example, resettlement of residents within the damming area must be completed before the dam is constructed.

**Activities**

These include a series of specific implementation intended to produce outputs of the project. Activities transform project inputs to project outputs. In the example above, activities include
construction, training and resettlement. Sequencing of project activities should carefully be done for smooth implementation of the project.

**Inputs**

These are resources necessary to pursue project activities, and include personnel, facilities, equipment, material and other miscellaneous costs that are required specifically for the project use.

### 3.2.2 Project Indicators and Means of Verification

#### Indicators

The narrative summary of the project itself does not explain the specific level or degree that the project is expected to achieve. Therefore, it is necessary that the project document also shows a numerical or a definitive target as indicators for each summary level. That means, there should be project indicators for the overall goal, project purpose and outputs. The role of the indicators is to clarify the achievement level of each summary by providing the levels or degrees to which they should be achieved. Project indicators are specified in the planning stages along with the narrative summary and must cover the following (Table 3.1 and 3.2 examples for illustration):

#### Table 3.1 An Example of OVI for the Irrigation Project

<table>
<thead>
<tr>
<th>Narrative Summary</th>
<th>Objectively Verifiable Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall Goal</strong></td>
<td>By the end 2018, annual rice production in District xxxx (where the irrigation project is located) has to increase to xxx tons (from yyy tons in 2014). At the end 2018, rice production in the irrigated area averages xx tons/ha (from yy tons/ha in 2014).</td>
</tr>
<tr>
<td>Achievement of increase in rice production at the irrigation area, in terms of the total amount and yield.</td>
<td></td>
</tr>
<tr>
<td><strong>Project Purpose</strong></td>
<td>By the end 2017, the dam is filled with water with an estimation of xxx ha. By the end 2017, xxx farmers in the benefit area of irrigation are potentially capable of receiving the dam water.</td>
</tr>
<tr>
<td>Completion of a water dam irrigation system along with the establishment of a water user association that will manage its fee collection and maintenance.</td>
<td></td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td>By the end 2015, all basic facilities for xxx villages designated to relocate should be completed. By the end 2016, all families and infrastructure have completed their resettlement to the agreed locations.</td>
</tr>
<tr>
<td>1. Resettlement of villagers in the potential dam site is completed.</td>
<td></td>
</tr>
<tr>
<td>2. The dam construction is completed</td>
<td>By the end 2017, dam infrastructure is completed.</td>
</tr>
<tr>
<td>3. The canal construction is completed</td>
<td>By the end 2017, all canal and sub-canal infrastructure is completed.</td>
</tr>
<tr>
<td>4. The Water user associations designed for this irrigation is established and ready for operation.</td>
<td>By the end 2017, the Water user associations are established.</td>
</tr>
<tr>
<td>By the end 2017, conditions and fee/tariff is set up and communicated to all potential irrigation users.</td>
<td></td>
</tr>
</tbody>
</table>

i) **What**: The actual indicator that is used to measure the summary in subject. Normally, there are more than one OVI for each summary, in order to cover what the summary actually targets.

ii) **By how much / how well**: The quantitative or qualitative goal that is required to be
achieved for each summary. This includes the improvement level as compared to the situation before the project implementation. Therefore, it is necessary to express the baseline situation before the project starts.

iii) Of whom / of where: Clarification of the beneficiaries and benefit areas that are targeted.

iv) By when: Clarification on the time of attaining the achievement. Depending on the narrative summary, it may differ from the completion date of the whole project.

**Means of Verification**

These are guidelines for information source where the indicators are found. It is important that, the sources of information remain the same since the planning stage to the completion of the project.

**Table 3.2 Examples of Indicators and Means of Verification**

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Means of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall Goal</strong></td>
<td></td>
</tr>
<tr>
<td>By the end 2018, annual rice production in District xxxx (where the irrigation project is located) has increased to xxx tons (from yyy tons in 2014).</td>
<td>Annual rice production data from the xxx District Agriculture Office.</td>
</tr>
<tr>
<td>At the end 2018, rice production in the irrigated area averages xx tons/ha (from yy tons/ha in 2014).</td>
<td>Annual rice production data from the xxx District Agriculture Office.</td>
</tr>
<tr>
<td><strong>Project Purpose</strong></td>
<td></td>
</tr>
<tr>
<td>By the end 2017, the dam is filled with water with an estimation of xxx ha.</td>
<td>Project progress report. Geographic and metrological data of the area during the period.</td>
</tr>
<tr>
<td>By the end 2017, xxx farmers in the benefit area of irrigation are potentially capable of receiving the dam water.</td>
<td>Project progress report.</td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td></td>
</tr>
<tr>
<td>By the end 2015, all basic facilities for xxx villages designated to relocate should be completed.</td>
<td>Project progress report. Official document of relocation at LGA office.</td>
</tr>
<tr>
<td>By the end 2016, all households and village infrastructure have resettled to the agreed locations.</td>
<td>Project progress report. Households and village infrastructure relocation record at LGA office.</td>
</tr>
<tr>
<td>By the end 2017, dam infrastructure is completed.</td>
<td>Project Progress Report. Dam design sheet and inspection reports. Quality assurance reports.</td>
</tr>
<tr>
<td>By the end 2017, all canal and sub-canal infrastructure is completed.</td>
<td>Project Progress Report. Canal design sheet and inspection reports. Quality assurance reports.</td>
</tr>
<tr>
<td>By the end 2017, the Water user associations are established.</td>
<td>Water users Article of Association kept at the District water office.</td>
</tr>
<tr>
<td>By the end 2017, conditions and fee tariff are set up and communicated to all potential irrigation users.</td>
<td>Updated water users article of association. Tariff sheet kept at the district water office.</td>
</tr>
</tbody>
</table>

Each indicator must be supplied with its means of verification. The means of verification should be:

i) **Reliable:** It is necessary that the source of information is reliable and dependable. If the information is obtained from the organization outside, the project promoter must insure reliability, including how the data are collected.
ii) **Obtainable:** The source of information should be accessible. Data must be obtainable with relative ease.

iii) **Sustainable:** The information must be obtainable from planning through completion stages.

The means of verification for the overall goal indicators cannot be sourced from the project document. The reason is that overall goal relates to impact brought about by the project. Generally, the impact is realized after the completion of the project.

### 3.3 Public Investment Project Proposals

The project proposal is the official document, which must be submitted to POPC every time a new project (or extension) of the project Type I or Type II is requested. The project proposal should contain the follow:

i) **The project framework:** This can be for a new project or a project that was suspended but requesting for revival. The framework includes, among others, the project design, expected impact to the economy and/or society; and,

ii) **The request for budget:** This shows the total amount and the annual amount for the outer years of the projects.

The project proposal formats will vary depending on the types of project. Project proposal formats are designed for PI projects that are: (a) newly planned project; (b) projects that are in the study/designing stage; and (c) uncompleted projects that have been redesigned to resume after they were suspended for more than 2 years. Hereunder is a sketch of examples of the required formats of project proposals with room for variations to suit project conditions.

**Format 1: Project proposal for PI project technical promotion (capacity development)**
- This format will be for technical promotion projects that are directly related to a certain PI project such as construction (training scheme for PI project, etc.).

**Format 2: Project proposal for feasibility studies and/or basic/detailed design**
- This format is for feasibility studies and basic/detailed design of future PI project such as construction.

**Format 3: Project proposal for construction projects**
- This format is for construction projects that have completed feasibility studies and detailed engineering design, thus ready for implementation.

**Format 4: Project proposal for feasibility studies and construction**
- This format is for construction projects that are expected to conduct feasibility studies, design and implementation.

**Format 5: Project proposal for construction revival projects**
- This format is for projects that are planned to resume its implementation after it has been suspended for more than 2 years.

The details of the proposed format for each of the five types are included in (Annex A3)
CHAPTER 4
TECHNICAL APPROACHES TO INVESTMENT ANALYSIS

4.0 Introduction

This chapter deals with project appraisal, independent review of the project proposals and link to budgetary process for recommended projects. The chapter also provides guidance on feasibility study or studies (FS) and steps involved in Cost-Benefit Analysis (principles, identifying and valuing costs and benefits, Net Present Value (NPV), benefit/cost ratio, Internal Rate of Return (IRR), analysis of risk; financial appraisals; and measures like cost-effectiveness, value for money assessment and multi-criteria analysis.

4.1 Pre-feasibility Study

The Pre-feasibility Study (PFS) phase involves refinement of the elements described in the identification and preliminary screening phase (covered in Chapter 3). In that chapter, it was emphasized that the preparation process includes description of objectives, identification of principal issues and setting up of a timetable for the different phases of development cycle. At the pre-feasibility phase, more details on the issues covered in the identification phase are provided, including outline of the full range of technical, institutional, financial and economic issues that are relevant to achieving the project objectives. This stage elaborates the category to which the project belongs and the nature of feasibility study to be carried out.

For all projects of Types I, and II the preparation stage should be followed by pre-feasibility study. The PFS should examine the potential or viability of the project using data and information gathered at the preparation stage. The PFS is a critical stage of the project cycle since it provides a comprehensive review of all aspects of the project before taking a final decision about its viability. It completes all steps for going into a detailed feasibility study.

Based on the findings of the PFS, a project which is not viable at this stage is rejected and marked as such in the project database (list of screened project). If the situation changes, a project rejected at one round may be re-tabled for consideration after sufficient justification.

Guidance 4.1: Requirement for Pre-feasibility study for projects of Types I and II: POPC should require and review pre-feasibility studies for all large projects classified under Types I and Type II. The pre-feasibility study should cover the following domains: marketing or demand; technical or engineering; environmental and social viability; manpower and administrative support; and economic domain.

These are explained subsequently:

i) **Marketing or Demand Domain**: Assessment of whether there is current and future demand for the goods/services that will be produced by the project. In some projects, both domestic and external markets should be considered.
ii) **Technical or Engineering Domain:** this involves assessment of input parameters of the project, for example, quantities and prices of inputs; sales turnover or service delivery; appropriateness of the technology; size of the project; design and location.

iii) **Environmental and Social Viability Domain:** This should assess externalities of the project, including adverse impact on the environment and/or groups of people in the society, as per Environmental Management Act 2004 (or as amended). This domain should cover social appraisal or distributive and basic needs analysis.

iv) **Manpower and Administrative Support Domain:** This provides assessment of the manpower requirements both for construction and operation phases as well as the technical and administrative requirements versus the manpower supply.

v) **Financial Domain:** This analysis integrates financial and technical variables estimated in the marketing, technical and manpower domains. It includes cash flow profile of the project, identification of all the receipts and expenditures, as well as description of the financial flows of the project. The data generated at this stage are integrated in the economic and social appraisal.

vi) **Economic Domain:** This analysis views the project from the entire economy’s point of view. It establishes the extent to which the implementation would improve the economic welfare of the country. Economic analysis goes beyond a mere market evaluation. It requires use of appropriate techniques to determine economic prices of goods and services, foreign exchange, cost of capital and labour, etc.

As for the PFS bottom line to provide sufficient information to form a basis for proper decision. The set of issues covered should clearly outline major risks (including institutional and budgetary); provide some comparison of alternatives (engineering, socio-economic costs and benefits) and therefore some recommendation on project alternative; preliminary estimate of project costs and benefits; and the regulatory requirements in which the project will operate. The PFS should also identifying lacking information for Feasibility Study.

4.2. **Feasibility Study and Financing Negotiations**

4.2.1 **Requirement for Feasibility Study**

The pre-feasibility study of project types I and II should be followed by a feasibility study (FS), which will examine the extent to which the project is able to meet the financial, economic, and social criteria set for investment expenditures. Decision should be made based on guidance provided by the project selection criteria. At this stage, the process of negotiating project financing, identification of financing modality and institutions involved should follow after the project is positively vetted.
Guidance 4.2: Feasibility Study Requirements

i) POPC shall require feasibility studies for all PI projects of type I.

ii) POPC shall require feasibility studies for projects of type III which are sensitive, high risk or those which incorporate state-of-the-art technology.

iii) Projects involving non-standard procurement, such as public private partnerships (PPPs) and bundled “resources for infrastructure” projects, should be subjected to the same appraisal process as standard public investment. The costs and benefits of such projects should be compared against a public sector comparator project.

It is not generally cost-effective to carry out detailed cost-benefit or cost-effectiveness study for Project Type III. Therefore, the feasibility study can be limited to basic elements of formal project appraisal such as:

i. The need for a project is well justified.

ii. Project’s objectives are clearly specified.

iii. Broad alternative options to meet project’s objectives are identified and comparatively examined.

iv. The most promising option is subject to detailed analysis.

v. Project costs are fully and accurately estimated.

vi. Project benefits are assessed qualitatively as likely to justify the costs.

4.2.2 Cost-Benefit and Cost-Effectiveness Analysis

For projects of Type I and II, the feasibility study should include satisfactory cost-benefit analysis or cost-effectiveness analysis. This section presents criteria for cost-benefit or cost-effectiveness, which should be used to evaluate projects. The criteria include Net Present Value (NPV), Benefit-Cost Ratio (BCR), Internal Rate of Return (IRR), Analysis of risk, etc. The main objective of the section criteria is to guide the process of appraising public investment projects.

In collaboration with POPC, the sector ministry will carry out a quick scan of the (competing) project(s) to determine the depth required for Cost-Benefit study or Cost-Effectiveness study for all projects of Types I and II. Among others, the size of the project will determine which cost-effective procedure should be followed in carrying out cost-benefit analysis. However, given the difficulty of establishing uniform thresholds for project size across sectors, these procedures should be applied flexibly, including their revision from time to time.

Basis of CBA – Identifying and Valuing Costs and Benefits

In the world of scarce resources, any allocative decision necessarily involves making choices between alternatives. As instructed above, all projects of Types I and II should be subjected to Economic Cost-Benefit Analysis (CBA), which is an economic appraisal tool for the comparison of costs and benefits associated with alternative public investment decisions. Thus, a CBA should always an integral part of detailed appraisal stage prior to the project approval decision.

This sub-section outlines what should be included in an elaborate/detailed economic CBA in order to avoid common problems in CBA, namely: (i) underestimation of costs – some
projects have cost significantly more than expected; (ii) lack of sufficient options analysis including no definition of the counterfactual; (iii) double counting of benefits; and (iv) insufficient sensitivity analysis.

**Defining the Benchmark**

For each project to which CBA is required, the study should clearly identify and examine a benchmark or counterfactual for comparative purposes. This should include “doing nothing”, i.e. the status quo or “doing minimum”, depending on nature of the project at hand. In most cases, the do-minimum is a better benchmark for analysis and should be required as a minimum for all projects of Types I and II. Furthermore, where resources allow, it is important that several, realistic options are analysed against the benchmark to provide room for the most effective option can be identified.

**Identifying costs and benefits**

Public investments are meant to serve the public interest and therefore consider broader indicators of effectiveness, which are less quantifiable and difficult to monetise. Nevertheless, a comprehensive CBA should ensure that all relevant costs and benefits are included.

**Costs:** The costs of a project should reflect the best alternative uses to which resources can be put or opportunity costs. Capital and operating costs should be included in the analysis. Costs estimates should also include negative externalities, e.g. water/noise pollution (see subsection below).

Note that, depreciation should not be included as this will amount to double counting. Depreciation, which is an accounting concept, simply shows allocate expenditure over the life of an asset.

In valuing the cost items, the market prices normally reflect the best alternative uses to which the goods or services could be put or the opportunity cost. Therefore, markets prices should be used. However, when market prices fail to reflect the opportunity costs, e.g. due to market failure shadow prices should be used (and of course be justified). Most common areas where shadow prices will be needed include:

i. **Shadow prices of Labour inputs** – this will vary by skill levels, geographic locations in the country as well as by seasons. POPC should coordinate the exercise of standardizing the conversion factor and require the application accordingly.

ii. **Shadow price of public funds:** Due to distortions introduced by taxations, a premium must be attached to the nominal costs of the proposal in order to make private cash flows commensurate with public cash flows and account for the deadweight loss of taxation. The conversion factor should be established under the coordination of the POPC and applied accordingly.

iii. **Shadow prices for tradable:** Border prices (FOB) should be used for project inputs that are tradable.

iv. **Price distortions due to subsidies or taxation:** When the cost item is not tradable but
subject of tax or subsidies, then CBA should correct for this distortion.

**Benefits**: Unlike costs, benefits are relatively difficult to identify and ascertain. It is important to note that, in identifying benefits, consideration should be given to the direct and indirect effects of the PI project interventions.

The values of benefits should always be based on willingness to pay when markets exit. Thus, the market prices should be use. However, when markets do not exist, other techniques should be used, including stated preference techniques such as contingent valuation as well as revealed preference techniques such as hedonic pricing and travel cost analysis. These methods are expensive and should be applied to projects Type I and Type II. Otherwise, for other categories of project, the decision should be on case-by-case basis.

Note however that, if the amount of efforts and resources required to quantify a particular benefit outweighs the advantages of including it, it should not be quantified. However, a qualitative assessment should be clearly made to back up the point.

**Externalities Generated by a Project and Adjustment for Market Distortions**

**Definition of Externality**

Consideration of externality is intended to inform project analysis that the evaluation criteria presented could be based on financial/accounting value and not economic value. The difference between the two is that economic value includes externalities (cost and/or benefit) generated by the project which is not internalized (Figure 4.1). Generally, economic externality is defined as a consequence of project activity which affects other parties without this effect being reflected in market prices. Externality arises when social benefits (and social costs) diverge from private benefits (and private costs).

**Figure 4.1** **Externalities generated by a project**

<table>
<thead>
<tr>
<th>Economic analysis</th>
<th>Financial analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Monetary value</td>
<td>Monetary value</td>
</tr>
<tr>
<td>Plus/minus (+)</td>
<td>Benefit</td>
</tr>
<tr>
<td>2. Externalities</td>
<td>Minus (−)</td>
</tr>
<tr>
<td>3. Opportunity cost of capital</td>
<td>Cost</td>
</tr>
<tr>
<td>4. Monetary cost</td>
<td>Economic value</td>
</tr>
<tr>
<td>• Equipment and plant</td>
<td>Financial/accounting value</td>
</tr>
<tr>
<td>• Labour</td>
<td></td>
</tr>
<tr>
<td>• Operating expenses</td>
<td></td>
</tr>
<tr>
<td>• Working capital</td>
<td></td>
</tr>
<tr>
<td>1. Monetary value</td>
<td>Benefit</td>
</tr>
<tr>
<td>2. Monetary cost</td>
<td>Minus (−)</td>
</tr>
<tr>
<td>• Equipment and plant</td>
<td>Cost</td>
</tr>
<tr>
<td>• Labour</td>
<td></td>
</tr>
<tr>
<td>• Operating expenses</td>
<td></td>
</tr>
<tr>
<td>• Working capital</td>
<td></td>
</tr>
</tbody>
</table>
Economic value is a wider concept than financial value by the amount of externalities. Therefore, for a comprehensive project appraisal the calculation of NPV, IRR, and BCR should include externalities generated by the project.

**Common Externalities**

As noted, externalities are essentially an issue of market failure – whereby some of costs and benefits of a project are not reflected in the prices. There are several situations in which externalities may exist. These include:

i) **Environmental Externalities:** These comprise damages (destruction) of the environment or cost of mitigating the damages resulting from the project implementation. Costs associated with environmental externalities consist: pollution to water, air, and particulate pollution; and, soil erosion. Likewise, some of the benefits are carbon sequestration, restoration of vegetation cover, etc. There are two ways to address the environment impact. These are:

   a) When the costs of mitigation measures are known, for example, to reduce emissions of CO\textsubscript{2}, such costs should be included in the cost of the project (in the financial and economic analyses of the project).

   b) Damage inflicted on the environment will not be completely reversed and therefore, there will be a permanent residual impact. The impact should be estimated/valuated and included in the economic analysis of the project.

ii) **Externality due to creation of monopoly:** Some of the public investment decisions may lead to emergence of monopoly, for instance, when rights to a vital resource/input are assigned exclusively to one firm. This leads to divergence between social costs/benefits and the market price which should be adjusted when appraising the projects.

(iii) **Externalities due to fiscal operations:** Taxes and subsidies could be a source of price distortions in the economy. Evaluation of projects and calculations of the NPV, IRR, and BCR should use adjusted prices to correct the distortions. It is therefore necessary that the analysts should carry out the conversion of the market prices into accounting prices in order to eliminate such distortions and reflect the costs of social opportunity of the resources.

**Guidance 4.3: Adjustment for externalities and market distortions**

- POPC and coordinating line ministries should base their decision on economic costs and benefits, which takes into account externalities and market distortions.
- POPC therefore shall require that rigorous CBA which presents the best estimates of economic costs and benefits.
- Environment and Social Impact Assessment (ESIA) should be carried in accordance with the Environmental Management Act
4.2.3 Decision Criteria in CBA

Conceptualization: Building Blocks of the Evaluation Criteria

The following aspects form the basis for the approaches employed in rigorous cost-benefit analysis:

(i) *Time dimension and the need to discount future income and cost streams*

Project investment, unlike recurrent expenditure, has a time dimension which is an important factor in evaluation. The time dimension comes into consideration because project investments are, by their nature, associated with streams of future costs (e.g. maintenance costs) and benefits (e.g. revenues). To be able to say whether benefits outweigh costs, there should be a framework which allows comparison of costs and benefits during the life span of the project.

The cost-benefit analysis should start with the basic principle that the value of a Shilling received (or paid out) today, which is not similar to that received (paid out) at some future date. Therefore, future streams of revenues and costs must first be adjusted to a common denominator before they can be compared. The common denominator essentially expresses the project’s net cash flows and net economic benefits either in terms of present or future values. When expressing the streams of costs and benefits in terms of future values, the flows must be compounded. However, when expressing the future values in terms of present values, the flows must be discounted\(^3\).

(ii) *Compounding*

Interest rate “\(r\)” plays a crucial role in conceptualizing future values or present values. There are two ways in which interest can be treated in project evaluation, namely:

(a) Simple interest, which is paid only on the principal; and
(b) Compound interest, which is paid on both the principal and interest as the money accumulates.

In most cases, project evaluation uses compound interest approach and is often compounded annually. However, there are projects in which interest is compounded semi-annually, quarterly, or even more frequently than quarterly. The higher the frequency of compounding, the large is the future value of the current investment.

For projects with a short life span, it is plausible to assume that the rate of interest will remain constant throughout the life of the project. Nevertheless, there are cases where it would not be plausible to use this assumption; and instead, a variable interest rate becomes more realistic. This will be the case when interest rates are expected to change in future and the expectations are reflected in the project documents/loan agreement. For government finance

\(^3\) Waiting is a cost. Therefore, there must be some inducement to temporarily part with the funds (at hand). In financial sense, funds possessed today can be invested to earn more money at some future date in the form of interest.
sustainability, it is important that the same rate what is applied for Debt Sustainability Analysis (DSA) should be applied.

(iii) Discounting

Unlike the compounding process, discounting is intended to establish the present value of future flows. Discounting cash flows simply means valuation of future flows in today’s terms. The discounting rate is the inverse of the compounding rate.

It is important to note that given other parameters of the projects, the present value is determined by the level of interest rate used in the computations. That is why the choice of interest rate to use in the project evaluation is one of the critical decisions to make.

**Guidance 4.4: Choice of Discounting Factor.**

POPC in collaboration with key stakeholders such as the Bank of Tanzania should establish the official discount rate applicable in projects appraisal and revise it only when deemed necessary to avoid being influenced by the short term market fluctuations.

Unless justified otherwise, the Government will use the same interest rate as is applied in the Debt Sustainability Analysis (DSA) adjusted to be consistent with the currency that the analysis is conducted in. Any PI actor developing a PI project proposal should use the rate specified by POPC (in collaboration with MoF/BoT)

(iv) Net Present Value Criterion

Net Present Value (NPV) is defined as the sum of the present values of the expected incremental positive and negative net cash flows over a project’s anticipated lifetime. NPV can be negative, zero, or positive.

Assuming that streams of costs and benefits have been adequately captured for analysis, the following criteria should be applied. If this assumption is not plausible, other criteria such as cost-effectiveness should be applied.

**Scenario 1: Negative NPV of a project**

This happens when present value streams of costs of the project (incremental investment of the projects) exceeds the benefit of the project. In this case, it is expected that investment costs will not be recovered, and there will be a decline in net real wealth to the investor or the public sector in our context. Projects with negative NPV should not be implemented.

**Scenario 2: Zero NPV of a project**

A project with zero NPV it means that there is neither a gain nor loss to the society. In this case, the incremental investment of the project will only recover the cost. Projects with zero NPV should not be implemented.

**Scenario 3: Positive NPV of a project**

This happens when present value streams of costs of the project (incremental investment of the projects) are lower than the benefits from the project. Only projects with positive
NPV should be implemented. The project with the highest positive NPV is the one which maximizes the net worth of the society.

**NPV Decision Rules:**

*Rule number 1:* Reject the project if NPV is less than or equal to zero.

*Rule number 2:* Choose the project with the highest NPV in a situation where there are projects competing for limited resource.

*Rule number 3:* When the choice is between packages of projects, that are not necessarily mutually exclusive, choose the package of projects with the highest total NPV.

**(v) Internal Rate of Return Criterion**

**Internal Rate of Return (IRR)** is a discount rate at which the sum of all future cash flows is equal to the initial investment, such that an investment breaks even. IRR is a discount rate at which NPV equals to zero. In other words, IRR shows that investors can recover their invested capital and earn a rate of return equal to the discount rate.

The IRR is a solution to a complex polynomial equation. It is the value where the NPV curve crosses the horizontal axis (Figure 4.2). Therefore, there is no guarantee that NPV curve will ever cross (or will cross only once) the horizontal axis. Multiple IRR occur when the net benefits (benefits minus costs) alternates in signs from year to year. When this happens, it becomes difficult to use IRR as a decision criterion.

**Figure 4.2 IRR is a Solution to Polynomial Equation**

**Decision Rules based on IRR**

*Rule number 1:* All projects with IRR less than the opportunity cost of capital funds should be rejected. Implementing such projects reduces the net worth.

*Rule number 2:* The project with the highest IRR should be selected for implementation among the mutually exclusive competing projects.

**Challenges of using IRR**

There are several challenges and setbacks in using IRR as project decision criterion. These include:
i) Non-existence of IRR or when it does, it may not be unique: When faced with multiple IRRs, non-existence of IRRs, or IRR in complex numbers, the analyst will need a different framework to support a decision.

ii) IRR can give wrong ordering of mutually exclusive projects, especially when projects are of different scale: The only information in IRR criterion is the level of IRR in relation to the opportunity cost of capital, such that one will be tempted to choose projects whose IRR is largest relative to the opportunity cost of funds. Information about the scale of the project is ignored in IRR-based criterion since IRR is only expressed as a rate per unit of currency.

iii) IRRs are not additive in a package of related projects: Large projects are often made up of components. There are cases where separate evaluation is required for project component options. Then, based on separate assessments, the decision has to be made over the conglomerate of projects. Under IRR framework, packaging of related projects based on their respective IRR is not possible because IRRs are not additive. Due to this weakness in using IRR, one cannot answer the question as to which is the best package

(vi) Benefit-Cost Ratio Criterion

Benefit-Cost Ratio (BCR) is the ratio of NPV of cash inflow (economic benefit) to NPV of cash outflow (economic costs). It is essentially an index of profitability.

Decision Rules

Rule number 1: If BCR is less than one, the project should be rejected because the net present value of the stream of incomes (benefits) is less than the net present value of the costs. Only projects with BCR greater than one should be considered.

Rule number 2: If there are two or more mutually exclusive or competing projects, then the project with the highest BCR should be selected.

Challenges of using BCR

The BCR hides the magnitude of the numerator (net benefits) and the denominator (net costs) in a ratio and this may lead to incorrect decisions. Worthy candidate projects may be eliminated from the list simply because they have lower BCR relative to their competitors when the eliminated projects may have significantly high NPVs compared to the selected project. Other weaknesses of BCR include: sensitivity to how costs are defined; and wrong ordering of mutually exclusive projects, especially when projects are of different scales.

Guidance 4.5: Choice of Project Evaluation Criteria

i) Given the weakness of IRR and BCR, then NPV is recommended as the criterion for public investment projects.

ii) POPC, MoF, and coordinating MDAs should demand, whenever applicable, to be provided with the NPV of the proposed projects to guide their decisions.

iii) Other criteria may be provided, but if they are in conflict, then decision should be based on NPV.
4.2.4 Sensitivity of Cost-Benefit Analysis

The objective of sensitivity analysis is to reveal how findings of CBA are affected by changes in uncertain factors and the underlying assumptions of the project. It helps to communicate to decision makers the extent of the uncertainty and risk of the project. In addition, it can be used to:

i) Determine whether it is worthwhile spending additional money to obtain more precise data;

ii) Determine whether uncertainty can be limited by acting/investing more, for example, by redesigning the project components or strengthening project management measures.

In order to inform risk management strategies, models for sensitivity analysis should be guided by the following questions:

- Are there input variables in the model such that when they are correlated they tend to dampen or enhance the influence each might have in isolation?
- Can diversification help?
- Are there other investments that could be made at the same time in order to minimize risks?
- Can the value of the key variable be identified with more certainty by gathering more information, and if so, is the information worth the cost of gathering?

Guidance 4.6: Requirement for sensitivity analysis

Guidance 4.6.1: POPC and coordinating ministries should demand sensitivity analysis to an integral part of project appraisal.

Guidance 4.6.1: POPC should evaluate the model which generated data for NPV calculations, assess the reliability of the data used and explore the sensitivity of the outcomes.

4.2.5 Uncertainty and Risk Analysis

The feasibility of large investment projects is subject to a partially or even fully undeterminable future. A large part of the cost-benefit analysis deals with data uncertainty. Sensitivity analysis is but a small part of dealing with uncertainty. It is important that a comprehensive risk analysis should be an integral part of project appraisal.

Guidance 4.7: Risk Analysis

POPC and coordinating ministries should demand a thorough risk analysis of a project. This should be an integral part in deciding which projects should be implemented.

4.3 Independent Review

For project Types I and II, the completion of the pre-feasibility or feasibility studies is a necessary step towards funding accessibility. After the pre-feasibility or feasibility study has been finalized and approved by the project owner/promoter, the next step is to send the project proposal to POPC for inclusion in the project pipeline. The POPC shall, in every year, issue a circular to MDAs, RSs and LGAs inviting submission of proposals that are ready to be included in the project pipeline for independent review.
However, the Government considers it necessary to have independent review/evaluation of all public investment proposals of Type I and II before their selection for financing. The independent review should be carried out by an independent evaluator (such as an independent expert/organization, academia, etc.) who was not practically involved at the previous stages of appraisal/assessment work. In this case, MDAs, RS, LGAs or agencies will not be part of the independent review. However, they will be required to cooperate with the independent evaluators in facilitating the evaluation process.

The JPIMC shall select and engage independent reviewers/evaluators from independent expert team/organization, or academia. At a later stage, as the capacity develops, the functions of independent review of public investment can be assigned to a fully established public body or affiliate institution.

**Guidance 4.8: Independent Review of Project Proposals**

The JPIMC should appoint a team of independent reviewers for Projects of Type I and II and on a case-by-case basis when deemed necessary for Projects of Type III, especially when optimistic bias is suspected.

The independent evaluator(s) shall review the proposals submitted for the inclusion in the project pipeline. In deciding which project to be included in the pipeline and financing, the independent evaluator(s) shall consider and grade all aspects outlined in Table 4.1.

**Table 4.1 Issues to Consider in Evaluating Submitted Proposals**

<table>
<thead>
<tr>
<th>Focus area</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Are the project objectives, needs/requirements and scope of work clearly defined/stated?</td>
<td></td>
</tr>
<tr>
<td>2 Are the project needs/requirements justified as per the strategies, programmes and objectives of the sector?</td>
<td></td>
</tr>
<tr>
<td>3 Is the project crucial and the only input to achieve the required outcomes under the sector strategies and programmes?</td>
<td></td>
</tr>
<tr>
<td>4 Is it not possible to achieve the desired requirements in the existing status quo?</td>
<td></td>
</tr>
<tr>
<td>5 Whether other alternatives have been explored and that this is the most cost effective alternative for the project?</td>
<td></td>
</tr>
<tr>
<td>6 Is the project feasible as per the technical feasibility report including social impact assessment? (Mandatory for types I and II projects)</td>
<td></td>
</tr>
<tr>
<td>7 Whether costing information with detailed components, impact on recurrent/operating budget, implementation and expenditure schedule been submitted?</td>
<td></td>
</tr>
<tr>
<td>8 Whether all the Funding sources or options have been explored?</td>
<td></td>
</tr>
<tr>
<td>9 Is the Government the only agency to provide/invest resources?</td>
<td></td>
</tr>
<tr>
<td>10 Is the design, scope of work and specifications reflecting value for money?</td>
<td></td>
</tr>
<tr>
<td>11 Is there a project implementation approach stated for efficient project delivery?</td>
<td></td>
</tr>
<tr>
<td>12 Are there risks likely to cause: reduction in effective demand, delay in completion, non-responsive contracts, operative or maintenance failure or technological associated hindrances?</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL SCORE** 100%

Every criterion above has the same score weight. The minimum score for a project to be included in the pipeline and for budget support should be 50 percent. A project that passes the cut-off point will be prioritized and receive financing provided funds are available within the allocated medium term budget ceiling of the project promoter. The criteria for further prioritization based on financing envelope are provided in Chapter 5. The positively evaluated projects are also included in the project database under the appropriate section.

4.4 Detailed Design

It is important for PI project proposal acceptance that it has to be positively reviewed by an independent evaluator(s) and this is before it is included in the budget; and development of a detailed project design is done. The detailed design will ensure that the project is accurately costed, ready for tendering and/or implementation.

Projects which pass the independent review will be allowed to prepare/submit detailed design to POPC. The POPC and responsible sector ministries will agree on the designs. At this stage, the design task should be complete, with sufficient details, including the basic programmes, allocating tasks, determining resources and setting the operational functions, and above all multi-year costing to allow MTEF/budget programming.

In order to ensure credible budget frame, the project owner/promoter should allocate sufficient resources to the designing stage to prevent significant and frequent design modifications in the subsequent phases. The project design should reflect various opinions from key stakeholders to minimize public discontent expected during the implementation phase. However, when design modification or change is inevitable, the responsible ministry should discuss the matter with the POPC.

4.5 Link to Budgetary Process

The stages in project cycle should be fully linked and aligned to government budgetary process and government funding in particular. Table 4.2 summarizes this linkage by showing each activity and associated timeframe as well as responsible institutions/actors. Taking into account that project evaluation cycle may run along a different timetable, it is important to continue strengthening project appraisal and selection processes and link these in an appropriate way to the budget cycle.
## Table 4.2  Links with Government Budgetary Process

<table>
<thead>
<tr>
<th>S/N</th>
<th>ACTIVITY</th>
<th>DESCRIPTION</th>
<th>INSTITUTION</th>
<th>TIME FRAME*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Initiation of Project ideas/thoughts</td>
<td>Proposal of a project that will require public attention and anticipate to draw resources from government (sole finance and/or PPP arrangement)</td>
<td>All Public/Private/individuals</td>
<td>Throughout the year</td>
</tr>
<tr>
<td>2</td>
<td>Brainstorming project ideas</td>
<td>Deliberation on ideas/projects thoughts to see if project meets criteria for public funding</td>
<td>Key Stakeholders relevant to the sector or area</td>
<td>Throughout the year</td>
</tr>
<tr>
<td>3</td>
<td>Communicate ideas to respective institution for further consideration</td>
<td>Channel their proposed agenda into government machinery process through the respective authority (MDAs and LGAs).</td>
<td>All/Public, Private/individuals</td>
<td>Throughout the year</td>
</tr>
<tr>
<td>4</td>
<td>Initial appraisal</td>
<td>scrutinizing ideas from 1-3 above and mainstreaming them into the government planning system</td>
<td>JPIMC in collaboration with respective MDAs/LGAs</td>
<td>July - August</td>
</tr>
<tr>
<td>5</td>
<td>Final Appraisal by the Government</td>
<td>Consultative meeting on investment plan proposals that are in line with government priorities i.e. policy/strategy/programmes and plans</td>
<td>JPIMC in collaboration with respective MDAs/LGAs, POPC, PMO-RALGs</td>
<td>August - September</td>
</tr>
<tr>
<td>6</td>
<td>Submit the proposals to the plan and budget guidelines committee</td>
<td>Review the plan and propose specific guidelines. Give direction to all MDAs and LGAs with regard to proposed agenda if the proposal cuts across all sectors</td>
<td>MoF, POPC, PBG Committee</td>
<td>September-October</td>
</tr>
<tr>
<td>7</td>
<td>Government Approval of Investment Plan</td>
<td>Agree or disagree on proposed investment. If disagreeing then project goes to database for viable projects, for consideration in the future. If agreeing then proposal goes to next stage (8)</td>
<td>Cabinet</td>
<td>October - December</td>
</tr>
<tr>
<td>8</td>
<td>Linking Investment Plan (projects) with national Budget</td>
<td>Scrutinizing Investment Plan and mainstreaming the Plan into MTEF and other budget instruments</td>
<td>MDAs/LGAs, POPC, MoF, PMO-RALG</td>
<td>December-April</td>
</tr>
<tr>
<td>9</td>
<td>Approval by Parliament as an integral part of approval of the overall budget</td>
<td>Public acceptability of the intended Public Investment Plan.</td>
<td>Parliament</td>
<td>April - June</td>
</tr>
<tr>
<td>10</td>
<td>Implementation</td>
<td>Commencement of investment projects; taking into account project synergies and complementarities</td>
<td>Responsible institution</td>
<td>July onwards</td>
</tr>
<tr>
<td>11</td>
<td>Monitoring and Evaluation</td>
<td>Follow up on implementation and track performance in order to advise on the way forward i.e. assessment of extent to which PI project goals, outputs, and activities are achieved; and producing informative quarterly and annual progress reports.</td>
<td>Line ministry/ PDB, POPC and MoF</td>
<td>July onwards</td>
</tr>
</tbody>
</table>

*Time frame follows the government budget cycle
In the preparation of the fiscal framework and the annual budget, MoF will establish financial envelop for critical public investment so that a sustainable investment program can be undertaken. As such, success in the implementation of public investment is a function of good decisions in choosing investments, adequate financing of the project and management of the assets. Thus, MoF should ensure recurrent funding to operate and maintain the installed public assets.

Tanzania will continue, in the medium term, to depend on donor funds for some of its development projects. While donor funds are mainly used to create assets, government should meet operation and maintenance costs. MoF should require the project promoters to furnish it with reliable cash flow requirements in order to ensure coherence in the budgetary commitments, at least in the medium term.

4.6 Project Implementation, Monitoring and Evaluation

Implementing MDAs should seek formal approval of the project commencement from POPC/JPIMC. This includes PPP projects and projects fully financed through MTEF. At this stage, formal approval will require the acceptance of funding proposals and agreements on contract documents, including tenders and other contracts requiring commitment for resources.

Regular monitoring of a project will be done by the implementing MDA which will then report to POPC, MoF and other authority as instructed in the Medium-Term Strategic Planning, Budgeting and Reporting Manual (MSPBR) of 2007. For some projects (particularly Types I and II) midterm and ex-post evaluation are useful for comparing targeted and actual performances. Details on monitoring and evaluation are provided in chapters six and seven. Chapter eight contains proposed forms for regular project reporting.

4.7 Summary on Project Planning and Management

Following the project planning instructions given in chapter 3 and 4, it is apparent that at the end of the day, POPC will have (or at least coordinated) a list of all projects initiated by various project promoters (including POPC as a think tank). The list is the basis of the project database, which show “wishful list of potential projects” to prioritize project for, with varying details depending on the stage of planning and categorised by level of investment required, types of promoters, expected financing modality, etc. Figure 4.3 shows the sequential project filtering in project planning process.
The desired projects, which are projects in the long-range plan, will only need a brief title, description, location, and rough estimates of costs. However, in subsequent iterations of the investment planning process, more details will be needed and the estimates will be refined. Approved investment projects are prioritized based on state of preparedness, affordability, and resource envelop.
CHAPTER 5
PROJECT SELECTION AND FINANCING

5.0 Introduction

This chapter provides implementation guidance to project selection and financing with focus on public projects in Tanzania. The chapter also presents detailed cases of project finance deals and concludes by giving guidelines to be used in project finance.

5.1 Projects Selection

Project selection is an economic problem. With finite resources in general and at each period of time in particular, a decision should be made on which projects to undertake out of many potential alternatives. In the public sector, apart from the economic and technical criteria, consideration has to be made on political and social criteria. Further, both tangible and intangible characteristics need to be adequately considered. As a result, selecting projects for the public sector typically create the need for a multi-criteria decision analysis approach.

There are a number of reasons as to why project selection process in the public sector is complex. First, public project investments involve large capital outlays, uncertainty and long lasting impacts. Second, many stakeholders are involved, some of whom may have conflicting interests. Because of this, political factors related to a project often play a much more leading role than technical or other more rational considerations. Third, it is difficult to assess the value of a project, as it is affected by dynamic changes of the surrounding socio-economic environment. Finally, apart from the public project selection criteria targeting at the maximization of net financial benefits or returns to stakeholders, decision makers also have to prioritize and select projects through social equity, economic and political criteria.

The task of project selection needs to focus on how to prioritize both clearing the pipeline of pending projects and selecting new projects. The former requires data on the condition of the pipeline projects and the funds that would be required to complete them. Overall, a mixed method that involves the use of financial and non-financial analyses is suggested. Different entities such as MDAs and LGAs can use criteria that are more relevant to them (Table 5.1).

Guidance 5.1: PI Project Prioritization

For budgeting and funding purposes, the POPC shall prioritize new PI projects by determining each project’s score based on the elements enumerated in the Project Selection and Prioritization Matrix. Since PI projects are not homogeneous, the POPC shall determine the weight and/or points for each element for a given PI project \( a \ priori \). The POPC may decide to use an independent person to determine the score of each PI project. Ongoing PI projects that have had adjustment assessment shall have priority over new PI projects of similar nature. This is to ensure that on-going projects are completed and start delivering the intended services hence making spending already made useful.
<table>
<thead>
<tr>
<th>CLUSTER (Suggested weight range in parenthesis)</th>
<th>ELEMENTS</th>
<th>Suggested Measurement and Weighting points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic: Project Feasibility (10% to 30%)</td>
<td>Project Fundability prospects</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Project personnel and equipment</td>
<td>Very Appropriate</td>
</tr>
<tr>
<td></td>
<td>Project duration</td>
<td>Below Benchmark</td>
</tr>
<tr>
<td></td>
<td>Quality of Project plan and schedule</td>
<td>High</td>
</tr>
<tr>
<td>Economic: Investment Analysis (10% to 30%)</td>
<td>Appropriateness of project size, method and technology</td>
<td>Very Appropriate</td>
</tr>
<tr>
<td></td>
<td>Financial Analysis [Profitability Index i.e. NPV/I]</td>
<td>Above 0.5</td>
</tr>
<tr>
<td></td>
<td>Coherence between procedure and budget</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Future operation and maintenance</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Impact of the Project on Strategic Goals of the Enterprise (in case of public enterprise related projects)</td>
<td>High</td>
</tr>
<tr>
<td>Policy/Political (10% to 15%)</td>
<td>Agreement with National targets/strategies and government policies</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Urgency</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Public Opinion Perception</td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td>Degree of Political interest in the project</td>
<td>High</td>
</tr>
<tr>
<td>Social (5% to 15%)</td>
<td>Impact of the Project on Citizens/Society</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Contribution to Employment</td>
<td>High</td>
</tr>
<tr>
<td>Sustainable Development (5% to 10%)</td>
<td>Environmental Impact</td>
<td>Very Positive</td>
</tr>
<tr>
<td></td>
<td>Contribution to Regional Local Development</td>
<td>High</td>
</tr>
<tr>
<td>Technical (5% to 15%)</td>
<td>Maturity of Implementation (the status/availability of prerequisite factors for implementing the project such as relevant studies; resolved legal issues; reassurance of equity capital; land expropriation needs etc.)</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Human Resource (availability &amp;</td>
<td>High</td>
</tr>
<tr>
<td>Ability)</td>
<td>Conformance to regulations and laws</td>
<td>Probability of Project Success (which incorporates all project’s risk factors)</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>20 points</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>10 points</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>0 points</td>
<td>Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Others (including Factors Unique to the project) (5% to 15%)**</th>
<th>Statutory Mandate</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing and potential security threat</td>
<td>20 points</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic and global national security situation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact on Agency/program funding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any Other Issue</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**The specific elements and weights points in this factor are to be established by the decision maker(s) based on the nature of the PI project in question.

5.2 Budgeting and Financing

5.2.1 Drivers for Innovative Financing Options

Growth of the Tanzanian economy is driving demand for public infrastructure and facilities to provide social services. These include infrastructure in the energy sector (electricity, gas and oil) transport (roads, bridges and ports), education, health, as well as in sports and entertainment. These are in addition to mining and oil and gas operations which, for the last two decades, have been the preserve of the private sector.

While the practice has been to finance projects viewed as “public projects” using budgetary appropriation (development budget) and private, profit-oriented projects using privately sourced funds (equity and debt), such approach has shown to be inadequate to meet the growing needs for funds. This calls for innovations especially on the side of public projects which have been lagging behind.

Tanzania has recognized the need for innovation in financing public projects and involvement of the private sector in its Public-Private Partnership Policy of 2009. The policy acknowledges that:

“… The investment requirements to attain high growth and reduce poverty are enormous and cannot be met from the public sector and Official Development Assistance (ODA) alone in a timely manner. Hence, participation of private capital is key to resolving the prevailing budgetary resource constraints. To sustain progressive socio-economic development, Tanzania requires innovative tools for financing development programmes in order to expand its production frontier as well as to improve economic competitiveness” *(PPP Policy, Page 2).*
5.2.2 The Flow of Funds to Projects

As explained earlier, public projects can be financed by one or a combination of the following modalities: public funding; private funding; and multilateral and bilateral agencies. A.2 provides a summary of the role played by selected multilateral agencies in project finance. The three sources are not mutually exclusive in use. Each source does not necessarily channel the funds directly into a project. Figures 5.1 to 5.3 illustrate how public funds (government’s own funds) and funds from counterparts (debt and equity) are channelled into projects aimed at generating public goods/services.

Public finance approach

A typical public finance approach involves the government having full discretion in financing irrespective of the source of funds. That is, fund providers do not have direct say in financing the project. The government raises funds externally (from lenders and other fund providers), augment the funds with funds from its own sources and channel the funds to a project (directly or indirectly using the private sector contractors) (Figure 5.1). Public financing of projects also involves the government using borrowed funds.

Figure 5.1 Public Finance


One of the channels in this approach uses sovereign debts raised specifically for a particular project or group of projects. Under this channel, the sovereign guarantee shows up as a liability on Government’s list of financial obligations hence straining its balance sheet.

Corporate finance approach

In this approach the government provides concession agreement to a private firm to offer the public service/good and charge a fee. With respect to borrowed funds, the firm guarantees to repay the lenders from its available operating income. The lender will analyse the firm’s credibility by, among other things, looking at its total income from operations, its stock of assets, and its existing liabilities. To the firm, the debt is an “on balance sheet” transaction
and shows up as a liability in the balance sheet. Figure 5.2 illustrates a case of a public service being provided by the private sector.

**Figure 5.2  Corporate Finance**

![Diagram showing project finance approach]


*Project finance approach*

In this approach, the project itself – rather than the project’s sponsors – is the borrower. A legal project entity (special purpose vehicle/entity – SPV or SPE) is set up on an *ad hoc* basis solely to serve a particular function underlying the project. SPV is financially and legally independent from the sponsors. This means that the lender (or an equity or mezzanine funds provider) relies primarily on the project’s cash flow for repayment, while the project’s assets, rights and interests are held as secondary security or collateral. Figure 5.3 represents pure project finance case.

**Figure 5.3  Project Finance**

![Diagram showing pure project finance case]

In addition to providing concession, the government participation in project finance can also include provision of assets to the project firm as well as granting guarantee to lenders to the SPV. In the former, the government effectively becomes one of the project sponsors. For project finances cases from other countries see also, Annex A5.1 and 5.2.

5.2.3 Involvement of the Private Sector in Funding Public Projects

A common practice in public private partnership (PPP) arrangement is the use of concession agreements in managing such projects. Three commonly used types of concessions, albeit with different forms of contracts, are: Build, Operate, and Transfer (BOT); Build, Own, Operate, and Transfer (BOOT); and Build, Operate and Own (BOO).

In BOT framework (with its build-transfer-operate [BTO] and build-lease-transfer [BLT] variants), the public delegates planning and realization of the project as well as operating management of the facility for an agreed period of time to the private party. The private party is not the owner, but during the agreed period is entitled to retain all receipts generated by the operation. At the end of the period, the facility will be transferred to the public without any payment being due to the private party involved. BOOT framework differs from BOT in that the private party owns the facilities. At the end of the concession term the facility is transferred to the public administration and, often, a payment for it can be established.

BOO framework has characteristics in common with BOT and BOOT. The private party owns the facilities (as in the BOOT case), but ownership is not transferred at the end of the concession agreement. Therefore the residual value of the project is exploited entirely by the private sector.

Tanzania has put in place the PPP policy, Act, Regulations and implementation guidelines. These are the National Public Private Partnership (PPP) Policy (2009), the Public Private Partnership (PPP) Act (2010), as well as the PPP Operational Guidelines for Tanzania Mainland (2010) and PPP Regulations (2011) respectively. Projects classified as PPP should, therefore, follow pronouncements and guidelines in these documents.

5.2.4 Public Investment Projects Funding Practice

Financing projects through budgetary appropriation is the most common approach when the government is using its own funds or funds for which it has discretion. Such funds are channelled through MDAs, RSs and LGAs for projects they implement or are implemented by institutions under such MDAs and LGAs. Sources of funds include the resources mobilised domestically and external support from development partners. External supports include loans, grants, donations and gifts. These resources have been received as direct project financing; programme support; or general budget support.

In Tanzania, two distinct types of PPP projects are common. First, is provision of a public service by a private party on behalf of a public authority or agency. In this type, the public authority or agency involved may have to enter into off-taking agreements to ensure a stream
of cash-flows to the project. The second involves carrying out of commercial activities by a private party using public property (such as publicly owned land or infrastructure).

PPP projects are subject to Public Private Partnership (PPP) Policy (2009), PPP Act (2010) and its associated PPP Operational Guidelines (2010) and PPP Regulations (2011). These laws and guidelines are specifically aimed at projects involving collaboration between the public sector and the private sector. Based on the roles as per PPP Act, the public sector has a limited role when it comes to financing and risk assumption in a project. According to Section 5 a & b of PPP Act (2010), resource mobilization and risk sharing rests with the private sector.

5.2.5 Overview of Budgeting Process in Tanzania

The National Budget process in Tanzania follows an annual budget cycle of events and activities involving the determination of resources and their uses for attainment of government objectives. The annual budget has three broad components, namely: development expenditure; personal emoluments (PE); and other charges (OC).

The budget process in LGAs receiving Local Government Capital Development Funds (LGCDF) begins with issuance of budget guidelines and formats to Ward Development Committees (WDCs). WDCs prepare their budgets on the basis of the issued guidelines, ceiling and formats through the O&OD process, discuss and approve them before submitting to their respective councils for further securitization, aggregation by departments and processing. In principle O&OD involves village councils in identifying O&OD, on the basis of which they determine and set their development priorities, plan and budgets.

Tanzania, like most of the developing countries, operates on a cash rationed budget. Further, over the past few years, internally generated revenues have fallen short of recurrent expenditure implying that capital expenditure (investments) has predominantly been financed by foreign grants and borrowing. These have broad implications on the number (value) of investments that can be included in the budget and the certainty of the included investments actually receiving funds. The former is more than a simple problem of capital rationing (the rationing is in very constrained situation). The later means that in spite of a project being included in the budget, funds will not be released until revenues are actually collected by the government. Thus, even after a PI project is selected and included in the budget, its funding, for both construction and operation, remain uncertain. This is a recipe for under-execution of PI projects.

5.3 Budgeting and Project Financing Guidelines

5.3.1 Rationale for the Proposed Guidelines for Financing Projects

In developing Guidelines for financing public sector projects in Tanzania, it is important to bear in mind that some of the target projects are likely to be categorized as PPP projects. The PPP Operational Guidelines (2010) offer well-detailed guidelines in relation to process, operational recommendations, tools and documentation applicable in different stages of PPP projects. However, the phases of project cycle as well as responsibilities and decisions as per
PPP Operational Guidelines (2010) are not very clear as to how the details of financing the project are addressed.

Article 13 (d) and (e) of PPP Regulations (2011), for example, point out that a feasibility study must demonstrate the affordability of the project by the contracting authority “...in case of incurring any financial commitments by the contracting authority” (Section d) and provide “… proposals for allocation of financial, technical and operating risks between the partners” (Section e). Further, neither the Guidelines nor the Regulations provide for the formation of a Special Purpose Vehicle/Entity to operate a PPP project.

The limited coverage of finance by the two documents is understandable considering that Section 5 of the PPP Act (2010) somehow restricts involvement of the government in financing and risk taking in PPP projects. That is, resources (funds) mobilization and risk sharing rest in the private sector (S5 b ii & iii). So far, there are very limited documented cases of PPP projects that have gone through, using PPP Act (2010), PPP Operational Guidelines (2010) and PPP Regulations (2011) to serve as basis for review.

The Guidelines outlined below are prepared on the basis of the channels through which public funds (government’s own funds) and funds from counterparts (debt and equity) are directed into projects (as outlined in Section 5.2). This is also focusing on the approach to implement a project to deliver public goods and/or services. That is, direct implementation by the government, through concession to private firm and through PPP – in which case the Guidelines are advocating the use of SPVs in implementing such projects. In the latter case, consideration is also given in guiding government’s involvement in SPVs (through respective contacting authorities) and provision of debt guarantees.

5.3.2 Budgeting for PI Projects

Among other things, the guides aim at ensuring that financial management is an integral part of the planning and budgeting process. Attention needs to be paid on the availability of funds in the light of the fact that, because of limited budget (resource envelop), and uncertainty in cash inflows, PI projects end up facing serious cash disbursement problems.

Guidance 5.2: Budget Guidelines

MoF shall ensure that the budget guidelines lead to PI projects that are appropriate, efficient and are effectively being proposed. Specifically, the budget guidelines shall ensure that the budget formulation and implementation process has a clear focus on minimizing payment problems, and that the budget formulation process, including timing and contents of guidelines or assessments, is streamlined.

Guidance 5.3: Inclusion of PI Projects in the National Budget

The POPC shall recommend to the JPIMC the PI projects for inclusion in the annual budget based on the PI Project Prioritization Guidelines and the resource envelope. The focus has to be on staying within the budget in terms of cost, allocations and implementation.
5.3.3 Determination of Fund Channelling to PI Project

The project’s priority in relation to the nation’s objectives and the project’s nature in relation to cash-flows, riskiness, as well as commercial viability and its ability to service its finance sources are critical considerations in establishing how government funds are to be channelled to a PI Project. That is direct channelling of funds by the government, giving concession to the private sector or government being a sponsor in an SPV.

In concession, the government or other authorized body grants contracts for the supply of public services to a private sector entity. For this purpose, the two parties are referred to as the grantor and the operator, respectively. In this type of setting, the operator is to construct the infrastructure (in some cases take up or upgrades existing infrastructure) that will be used to provide the public service; and operates and maintains that infrastructure for a specified period of time. The operator is to be paid for the services over the period of the arrangement.

Guidance 5.4: Determination of fund channelling

Guidance 5.4.1: The Contracting Authority should establish the commercial viability of all projects.
   i) Projects that are commercially viable on the basis of explicit costs and revenues should be operated using SPV.
   ii) Concessions have to be used where cost recovery basis can be established with a high degree of accuracy.

Guidance 5.4.2: For projects financed by public finance approach, the CA should set up a mechanism to ensure that availability of funds is guaranteed for the entire life of the project. This includes ensuring that the projects are included in budgets and funds are appropriately disbursed.

Guidance 5.4.3: In implementing Guidance 5.2.2, the CA should ensure that all evaluation reports as outlined in this manual are considered.

Guidance 5.4.4: The CA (the grantor) must ensure that the concession contract sets out performance standards, pricing mechanisms, and arrangements for arbitrating disputes. That includes controlling or regulating the service (the operator is provided with the infrastructure, to whom to provide the service, and at what price).

Guidance 5.4.5: The CA (the grantor) should control, through ownership, beneficial entitlement or otherwise, a residual interest in the infrastructure at the end of the service arrangement. Consequently, the operator is obliged to hand over the infrastructure.

5.3.4 Project Finance Guidelines for PI Projects classified as PPPs

This section aims at addressing some gaps in the PPP regulations particularly in relation to financing PPP projects. Typically, PPP projects will employ project financing approach in fund mobilization. This will require identifying critical steps and inputs in financing a project that involves multiple sources of funds with different levels of risk exposure. Figure 5.4 presents the key steps in a PPP project as aligned with project financing aspects.
The following is a summary of the key activities that are involved in each step:

i) **Establishment of a Relationship Between the Government and Potential Project Sponsors:**

   This stage involves:

   a) Identification of potential project by the government (this step follows the guidelines for project evaluation).
   b) Floating the project idea to potential sponsors.
   c) Initial assessment of the project viability (technical, legal, environmental, etc.) by the potential sponsors.

ii) **Formalization of the Relationship Between the Government and Project Sponsors:**

   a) Forming the group of sponsors: Under pure project finance, the group that is to negotiate with the government should have a formal agreement, such as a Memorandum of Understanding (MoU) guiding their intention to be involved in the particular project. Such MoU should make provision of accommodating other sponsors.
   b) Tendering of the project by the government (the procurement process) and awarding the project to the sponsors.
   c) Signing of a concession agreement between the sponsors and the government.

iii) **Detailed Appraisal by the Sponsors**

   The primary focus here is on the sufficiency of the cash flows generated by the SPV to cover payments for operating cost and to service the debt in terms of capital repayment and interest. When doing detailed appraisal, attention needs to be paid to the risks inherent in the project, and the **bankability** of the venture on a without- or [with] limited-recourse basis. The product of the detailed appraisal is a Due Diligence Report and the sponsors have to produce minimum information to meet investors’ needs.
iv) **Formation of the Project Firm Special Purpose Vehicle**

The Special Purpose Vehicle (SPV) is set up on an *ad hoc* basis solely to serve the functions underlying the project and is financially and legally independent from the sponsors. This stage involves:

a) Agreements among the sponsors on the type of the project firm (joint ventures, etc.).

b) Preparing the Articles of incorporation for the project firm (MEMART).

c) Incorporating SPV according to existing laws.

v) **Initial Assessment of Funding by the Sponsors**

Financing a project requires developing a financing strategy. A number of factors are considered here including:

a) the desired characteristics of the funds sourced;

b) capital structure and gearing ratio desired by the sponsors; and

c) needs of the financial market (the potential fund suppliers).

The sponsors are the owners of SPV and hence determine its capital structure. The division of sources of finance in debt and equity is primarily influenced by the project’s cash-flows and the inherent risk. A range of gearing ratios – from simple debt-to-total-capital ratio to debt service coverage ratios (DSCR) – need to be used in establishing the appropriate capital structure. A common DSCR is defined as the earnings before interest, taxes, depreciation and amortisation divided by the debt service (payment of interest and repayment of principal).

Based on the risk-return characteristics of the project and the initial capital structure determined by the sponsors, the characteristics desired for the debt and pseudo equity funds should be established. Considerations here include the maturity of the project’s securities (i.e. long- versus short-term); the nature of the interest rates (fixed versus variable), credit enhancement features (including third party guarantee rates) and debt amortisation (including the need for sinking/reserve fund).

The objective of the sponsors is to sell the debt and pseudo equity instruments in line with the characteristics desired for these funds. However, the appetite for investment of the fund suppliers (buyers of the instruments) is critical in ensuring that the instruments sell. This appetite depends on a number of factors including the investors’ current holding position versus the instruments on offer (tenure, industry, location, etc.), expectations (economic, demographic, etc.) as well as the need to develop and/or maintain relationship with the project firm and its sponsors.

The activities involved in the initial assessment of funding by the sponsors are:

a) Determination of the desired initial capital structure (debt-to- equity) and the capital structure range over the life span of the project. Among other things this enables estimation of debt and pseudo equity funds desired over the life span of the project as well as how the equity component is to be shared among the sponsors.
b) Establishment of the characteristics desired for the debt and pseudo equity funds.
c) Assessment of the needs of the financial market (fund suppliers).
d) Identification of potential fund suppliers in line with the desired characteristics.

vi) **Actual Financing of the Project**

This stage involves a number of critical activities:

a) Allocation of project risks equitably among all parties involved in the transaction. Here risks are assigned to the contractual counterparts best able to control and manage them hence the willingness and appetite of the investor has to be considered.
b) Establishing the need for types of and levels of guarantees needed.
c) Identifying appropriate guarantors for the different types of funds and fund providers.
d) Negotiating and agreeing on guarantee arrangements.
e) Setting the initial maximum repayment schedule for non-equity financing in light of the discounted payback period.
f) Establishing the need for assistance during syndication phase.
g) Provision of collateral by the sponsors to lenders (debt providers).
h) Instituting limited recourse (or in some cases no recourse at all) by the financiers (lenders) to the sponsors.

vii) **Development of the project**

The specific activities involved here are:

a) Sign the predetermined off-take agreements with the buyer(s) to purchase some amount of the goods or services produced and feedstock provider(s) for critical inputs.
b) Sponsors working out agreements and contracts (with contractors, subcontractors, equipment providers etc.).
c) Overseeing construction.
d) Signing operations and maintenance (O&M) contract(s). These are intended to state the coverage – whether routine operations or maintenance and major maintenance or both. The terms of O&M agreement also need to state the tenure and the expiry date.
e) Upon completion, handing back the project to the country, operating the facility or transferring operations to another private entity (as the case may be).

viii) **Maintenance of project financing**

a) Monitoring cash-flows.
b) Periodic contacts with banks, lenders and sponsors.

Following the discussion in this chapter, key guidelines are as follows:
### A. Detailed Appraisal by the Sponsors

The detailed appraisal has to be able to produce critical information that is to be used to attract funding from fund providers.

**Guidance 5.5: Prepare detailed appraisal for projects structured as SPV**

**Guidance 5.5.1:** The sponsors should produce a Detailed Appraisal Report with minimum information as outlined below. This information is to be made available to potential fund providers.

**Guidance 5.5.2:** Where the government is a sponsor, the responsible CA should ensure that it is adequately represented in the detailed appraisal process notwithstanding its level of shareholding.

---

### Minimum Information Requirements for Detailed Project Appraisal

1. **PROJECT DESCRIPTION**
   - i. An overview of the anticipated social and economic contributions of the project.
   - ii. Legal status of the project, the Special Purpose Vehicle and status of government approvals.
   - iii. Ownership structure of SPV and information about major sponsors.

2. **CAPITAL INVESTMENT**
   - i. Detailed project facilities and assets (This should be detailed in line with the nature of the project).
   - ii. Pre-operating requirements and costs.
   - iii. Contingencies (physical) and escalations (financial) – where applicable.
   - iv. Initial working capital requirements.
   - v. Total cost of the project.
   - vi. Contracting and purchasing procedures to be used.
   - vii. Project management (including special manpower and technical expertise that may be required).

3. **PROJECT SCHEDULES**
   - i. Construction, start-up, operations.
   - ii. Expenditures.
   - iii. Funding (including timing of funds needed during project implementation).
   - iv. Regulatory compliance.

4. **ENVIRONMENTAL IMPACT ASSESSMENT** (Including health and safety issues)

5. **PROJECT FINANCING**
   - i. Background statement on project sponsors and participants (including their financial or other interests in the project construction and operations).
   - ii. Proposed Capital (debt/equity) structure:
     - a. Equity and Shareholder structure.
     - b. Subordinated debt (Quasi-equity financing) – amount and desired characteristics (terms and conditions).
     - c. Debt – amount and desired characteristics (tenure, terms and conditions).
   - iii. Overrun/standby arrangements.
   - iv. Funding sources already identified for debt and quasi-equity.

6. **PROJECT FINANCIAL PROJECTIONS**
   - i. Clear statement of all assumptions.
   - ii. Valuation metrics of the project (Net Present Value (NPV), Internal Rate of Return (IRR) and payback period of the project).
   - iii. Sensitivity analyses under different scenarios especially in light of the assumptions.

7. **LEGAL DOCUMENTATION**
   - i. Articles of association of SPV.
   - ii. Joint venture agreements (where applicable).
   - iv. Land certificate, mortgages and related documents.
   - v. Loan agreements.
   - vi. Major contracts including Off-take agreements, Supply agreements, Technical assistance agreement and Management agreement.
B. Determination of Project Capital Structure and Share of Equity among Sponsors

Guidance 5.6: Determination of project capital structure and share of equity among sponsors.
Guidance 5.6.1: The CA has to ensure that participation in SPV is in line with the need to have the private sector play a major role in resource mobilization and risk sharing. The Government’s risk should be limited to the assets and/or rights transferred to SPV.
Guidance 5.6.2: Where the government transfers some assets and/or rights to the project firm (SPV) which effectively entitles the government to equity in the SPV, the CA should ensure that such assets and/or rights are appropriately valued and the government given corresponding level of equity in the SPV.

C. Debt Guarantees by the Government

Guidance 5.7 Debt Guaranteed by the Government
Guidance 5.7.1: An assessment of the project’s cash flows and risk as well as capital structure should be done by the responsible CA to establish the risk exposure by the government in providing guarantee to fund providers in a project.
Guidance 5.7.2: In line with the need to limit government exposure, guarantee should be first sought from multilateral and bilateral organizations with the government’s being a last resort. Prioritization of guarantee by the government should be off-take guarantees and indemnity guarantees.
Guidance 5.7.3: Credit risk guarantees should be provided in line with the nation’s Debt Management Strategy and any existing guidelines thereof.
Guidance 5.7.4: The responsible CA should take measures to ring-fence project’s cash flows including setting up an Escrow Account to be pledged in favour of the lenders.

5.4 Selected Project Finance Cases

Annexes A5.1 and A5.2 present two project Finance Cases executed through SPV structure – one from the Republic of Cote d’Ivoire and one from the Republic of Uganda. They are both power generation projects: the Cote d’Ivoire’s Azito Project is open cycle gas turbine power plant with two 150 MW phases and a 16 km double circuit 225 kV transmission line while Uganda’s Bujagali is a hydropower plant along River Nile. Annex A5.3 outlines a general case of project financing.

5.5 Financial and Contract Management of Public Investments

The planning aspects of the National Budget process in Tanzania were outlined in Chapter Five. The execution/implementation of financial aspects of public investments involves three key aspects: (i) disbursement of funds, (ii) maintenance of proper financial records for control and accountability, and (iii) reporting on project’s budget and financial performance. Contract management, on the other hand includes negotiating the terms and conditions in contracts and ensuring compliance with the terms and conditions, as well as documenting and agreeing on any changes or amendments that may arise during its implementation or execution. It focuses on ensuring that the respective roles and responsibilities set out in the
contract are fully understood and fulfilled to the contracted standard. Where contracted standards are not fulfilled, the contracting public body should apply mechanisms established in the contract to rectify any under-performance.

With respect to funds disbursement, it is assumed that in the case of public projects with budgetary appropriations, funds release and transfer are executed through the Integrated Financial Management System (IFMS) linking most of the government paying stations. In the case of other parties involved in financing projects, funds are released directly to projects.

The main objective of the public investment financial and contract management is to ensure appropriate financial resource allocation, disbursement and utilization on public investments to guarantee attainment of the intended goals efficiently and effectively. Thus, the projects are completed timely (minimum delays in project completions) within the budget (minimum additional resources) and in the desired quality. Financial management shall ensure financial stability in public investment such that goals are achieved in a balanced manner over a long horizon.

5.5.1 Financial Management Guidelines

The Financial Status of Public Investments

Understanding the financial status of public investments is done through financial analysis of the public investments. The objectives are to monitor on-going and debt project costs and avoid introducing too many new projects that can impair financial stability in public investments. Financial analysis has to be done in the budgeting process at both the contracting authority/MDA/RS/LGA level and for the entire budget. Two indicators are critical in the financial analysis of public investments which are the amount due and the duration.

i) Amount due is the difference between the total cost of a project and the amount already disbursed and paid. It indicates the total amount that has to be disbursed to the project in the ensuing financial year and in the future to successfully implement the project. This amount is different from the “unpaid amount” which shows the amount owed to contractors and other service providers to the project (the unpaid amount is obtained as the implementation value minus payments already made). Amount due gives an indication of the desired financial commitment by the fund providers over the life of the project.

ii) Payment duration is the due amount divided by the project annual budget allocation. The annual budget allocation can be based on the past (e.g. the average amount disbursed before the current year), the current (the amount disbursed in the current year) or the amount expected to be used in the future.

By showing how many years it takes to complete payments of a particular project or all projects within an MDA/RS/LGA, payment duration essentially is an indicator of the depth of payment problems by the current budget allocation.
Guidance 5.1: Public Investment Projects Financial Analysis

Guidance 5.1.1: Computation of Amount Due and Payment Duration

Each MDA/RS/LGA has to carry out analysis of each project as well as all projects by computing the respective amount due and project durations.

\[ \text{Amount Due} = \text{TPC} - \text{AP} \]
\[ \text{Payment Duration} = \frac{\text{AD}}{\text{ABA}} \]

Where:
- \( \text{AD} \) = Amount Due
- \( \text{TPC} \) = Total Project Cost
- \( \text{AP} \) = Amount Disbursed
- \( \text{ABA} \) = Annual Budget Allocation

A project’s current payment duration shall be computed using both historical ABAs (lowest, average and highest) and budgeted ABA for the current year. These indicators shall be computed for at least three years (i.e. the current year and at least two years ahead) or half of the life of the project whichever is longer.

Change in the amount due and payment duration over time is influenced by two factors: the Total Project Cost and the Annual Budget Allocation. The former is affected by both the initial estimated costs of the project and new project costs. It is worth noting that when these costs are within budgetary capacity payment durations will not be affected. It is, therefore, important to understand the trend in the two indicators over the entire or substantial part of the life of the project.

To account for differences in investment projects there is a need to set benchmark/targets for payment duration for every project and a portfolio of projects within an MDA/RS/LGA. For example, as project duration shows the years it takes to complete payments of a particular project, a target for payment duration should reflect the remaining tenure of the project if funds were disbursed and utilized according to plan. The target shall form the basis for comparing with the actual remaining life of the project and classify projects with respect to potential payment problems.

The POPC shall consolidate the financial analysis for public investments in MDAs/RSs/LGAs and take initiatives to enhance financial stability of public investment projects by avoiding the increase due amounts due. Among others, this shall include selecting priority new projects and cancelling non-priority existing projects, and monitoring the increase in due amounts of on-going projects.

Guidance 5.1.2: Set Targets of Amount Due and Payment Duration

In the public investment budget formulation process, the POPC shall set upper limits on the due amounts and project duration of MDAs, RSs and LGAs to ensure that due amounts are within long term plans. This shall involve compilation of proposals and negotiate with MDAs/RSs/LGAs revising public investment project list based on the negotiation.

Guidance 5.1.3: Analysis of Amount Due and Payment Duration

Each MDA/RS/LGA shall carry out an analysis of amount due and payment duration to ensure that:

i) The drivers of amount due and project duration for each project as well as all projects are clearly identified analysed.

ii) The actual amount due and payment duration are within the target limits.

Through the analysis of amount due and payment duration, financial stability can be enhanced by reducing payment duration. To ensure that due amounts are reduced or do not increase and meet targets, only priority projects are included in public investment project
lists, while non-priority new projects are rejected. Priority projects that are excluded from public investment projects list for the next fiscal year will be added to the projects’ wait list.

Based on the analysis and expected budget allocation for publicly funded projects, initiative must be taken in budget formulation to revise proposals to ensure that due amounts are adequate to meet targets.

**Guidance 5.2: Project Financial Reporting**

Individual Financial Reports for projects shall be prepared on quarterly basis covering the following items:

i) Project cost.

ii) Amount disbursed before the Current Year.

iii) Amount disbursed in the Current Year.

iv) Amount due.

v) Annual budget.

vi) Payment duration.

For each item, narratives shall be given in relation to the corresponding budgets and targets. In addition, the same information shall be prepared and presented for at least two years in the future or half of the life of the project whichever is longer. A sample template is presented in Annex A5.4. The reports shall be consolidated at MDA/RS/LGA level and at the national level by the POPC.

**Disbursement and Utilization of Funds**

As noted earlier, funds release and transfer for public projects with budgetary appropriations are executed through the IFMS. Funds are also disbursed directly to projects by other parties involved in financing the project.

**Guidance 5.3: Disbursement and Utilization of Funds**

MoF or the project financiers shall ensure funds are disbursed to the project from fund providers timely and in the budgeted amounts. Such disbursed funds shall be utilized according to existing guidelines in relation to the disbursed funds. Any material discrepancy shall be reported in the Project Financial Reports.

**Agency and Financial Monitoring**

Prudential financial management practices involve monitoring the financial affairs of a project. This involves the use of internal auditors to review the financial affairs of each project.

**Guidance 5.4: Agency and Financial Monitoring**

Each MDA/RS/LGA shall cause an internal auditing of public investment projects to be carried out at such intervals as deemed appropriate. Where the implementing agency has internal capacity, this task shall be carried out by the respective implementing agency.

### 5.5.2 Contract Management

**Broad Groups of Activities in Contract Management**

Contract management covers three broad groups of activities: pre-award activities, securing “contractor” and contract award and post-award activities.
(i) Pre-award activities: These include justification for the project (including risk assessment), developing project team and developing contract strategies and plans (including management and exit strategies) form part of what has been presented in the preceding chapters. Some of the outputs of pre-award activities feature in the contract as substantive terms or are included as annexure.

(ii) Securing contractor and contract award: Being public investments/projects, the process of securing contractor and contract award shall be guided by the existing laws and regulations – the principal one being the Public Procurement Act (for the time being PPA of 2011) and its accompanying Regulations.

(iii) Post-award activities: These are broadly viewed as contract management activities and are grouped into three broad areas. First is the management of service delivery. This is concerned with ensuring that the service is being delivered in accordance with the agreed performance and quality levels set out in the contract. Second is the management of the relationship with the parties to the contract focusing on maintaining and developing an open and constructive relationship. The last is contract administration which deals with the formal management of the contract.

Key activities in formal contract management include changes within the contract, contract administration, assessment of risk, review of contracting entity’s performance and effectiveness with respect to aspects related to the contract and contract closure. Specifically, contract management relates to the key processes covering such broad issues as:

(i) pre-award contract processes, understanding and timetables;
(ii) risk identification and management;
(iii) documentation (clarity, understanding and comprehensiveness);
(iv) change control procedures
(v) communication (between and among the contracting entity, the contractors/ suppliers, customers/clients and other stakeholders)
(vi) contractual relationships
(vii) customer satisfaction; and
(viii) business continuity and transition issues.

Contract Management Guidelines

Guidance 5.5: Project Management Team
Each project shall have a core team to manage it. Members of the team should possess the necessary technical skills, knowledge and experience as well as having the appropriate level of authority. Broad factors to be considered when assembling the team include:

i. the nature of the project
ii. the nature of the working environment and the management style of the team
iii. communication internally and externally.
iv. Depending on the size and complexity of the project, the project team may, from time to time, utilize other individuals internal and external to the LGA/CA/MDA on ad hoc basis. Such individuals may include representatives of the end users, whether internal or external if not already in the core team.
**Guidance 5.6: Contract Management Plan**
Each project shall have a contract management plan drawn up in advance of contract award. The plan shall set out how the obligations of all the parties are to be carried out effectively and efficiently including the contract management success factors. These are the conditions that should be met if the contract is to be managed successfully. These include:

i) the arrangements for continuous service delivery that is satisfactory to both customer and provider

ii) demonstrable satisfactory delivery progress

iii) Ensuring that the expected benefits and value for money are being realized

iv) the co-cooperativeness and responsiveness of the provider

v) the obligations under the contract are clearly known to all parties

vi) Potential for surprises are thought of in advance

**Guidance 5.7: Service delivery management**
The LGA/CA/MDA shall have in place a mechanism for ensuring that the actual service provided is in accordance with the agreed standards and costs/prices. This shall include developing performance measures to cover all aspects and suitable to the requirements of the contract. Such measures should be set out in the contract documentation to ensure the contractor is fully aware of both the measures and the measurement methodology before any contract is awarded. Such measures:

i. should provide clear and demonstrable evidence of the success (or otherwise) of the relationship and,

ii. are not over-specified; are, as far as possible, readily obtained from the direct performance of the contract; and are focused on issues which impact most heavily on the contracting entity.

Project closure stage concerns the activities associated with closing the project down, whether in accordance with the contract or as a result of early termination. In the former case it calls for evidence that the contract has been completed to the satisfaction of all parties.

**Guidance 5.8: Contract Closure**
When a project contract comes to an end whether in accordance with the contract or as a result of early termination, the Project Management Team shall firstly, ascertain internally that there are no outstanding matters and, secondly, secure agreement from contractor(s) that, apart from agreed ongoing liabilities, the contract(s) has ended.

Contract closure shall draw on the project’s initial and continuous risk assessment that focus on the possibilities for performance failure and consequential early termination of the contract. Appropriate counter-measures should be considered and set out in the contract documentation. At the closure of a project contract, a post-contract project report shall be prepared based on a formal post-contract review. Among other things, the review should focus on the lessons that can be learnt from the management processes and procedures followed during the contract implementation.
CHAPTER 6
PROJECT IMPLEMENTATION AND MONITORING

6.0 Introduction

This chapter offers operational definitions of key terms and concepts used in project implementation, management and monitoring (IM&M). The key terms defined include Monitoring, Results-Based Management, Results Chain and Performance Measurement. The ultimate objective is to familiarise users with key concepts necessary towards understanding of the whole subject matter of IM&M. The chapter also emphasises a need for strengthening project management and monitoring in Tanzania.

6.1 Approaches to Management and Monitoring (M&M)

There are three main approaches to M&M used in development projects. These are:

i) The logical framework approach (LFA) which is the most common and widely used.
ii) The Goal Oriented Project Planning (GOPP), which is a close derivative of LFA.
iii) Results-Based Management (RBM) or managing for results.

Suffice to note here that, even within each approach, there are often differences in the use of terminologies and many adaptations have been made as different users put the approaches into practice. Given, the need for governments and development partners to ensure value for money in development projects, the third approach (RBM) has been the most favoured, particularly when it comes to managing development projects.

Results-Based Management (RBM) is a broad management strategy aimed at changing the way institutions operate, by improving performance, programmatic focus and delivery. It reflects the way an organization applies processes and resources to achieve interventions targeted at commonly agreed results. Results-based management is a participatory and team-based approach to planning and focuses on achieving defined and measurable results and impact. It is designed to improve delivery and strengthen management effectiveness, efficiency and accountability. RBM was especially highlighted in the “2005 Paris Declaration on Aid Effectiveness” as part of the efforts to work together in a participatory approach to strengthen country capacities and to promote accountability of all major stakeholders in the pursuit of results.

In essence, RBM sets a clear sense of direction, choice of the destination, the desired route and intermediary stops required to get to the destination. It also builds mechanisms of

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checking progress against a map and making course adjustments as required in order to realise the desired objectives. The latter constitutes Monitoring and Evaluation.

Monitoring and evaluation (M&E) is an essential part of the results-based approach to managing and implementing programmes, enhancing effectiveness by establishing clear links between past, present and future interventions and results. Tanzania’s FYDP and LTDP are results-based development plans. The Plans envisage that the expected results are sustained and are broad-based with the view to accelerating growth and poverty reduction. In order to track progress, the government intends to formulate and make use of the manual to put in place very elaborate Monitoring and Evaluation Systems.

The next sub-section introduces these concepts as related to the national policy, planning, budgeting, monitoring and reporting in Tanzania.

6.2 Results-Based Management (RBM)

As a management strategy RBM ensures that its processes, products and services contribute to the achievement of clearly stated results. It is also a broad management strategy aimed at achieving important changes in the way institutions operate, with improving performance and achieving results as the central orientation. RBM achieves these aspirations by defining realistic expected results, monitoring and evaluating progress towards the achievement of expected results, integrating lessons learned into management decisions and reporting on performance. RBM is also known as Management for Development Results (MfDR) so as to emphasize on development rather than organisational results. Key components to RBM are:

i) Planning, M & E coming together instantaneously.

ii) Constant learning by doing.

iii) Risk management (mitigation), and accountability (results achieved and action and behaviour).

iv) Measures to promote a culture of results orientation.

Key concepts used in RBM include the following:

a) Result: A describable or measurable development change resulting from a cause-and-effect relationship. Different levels of results seek to capture different development changes. These results are linked together to form what is a known as a results chain. Figure 6.1 shows the concept of results chain schematically.
b) **The results chain**: A causal sequence for an intervention that stipulates the necessary sequence to achieve desired objectives, beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts, and feedback. The results chain answers the question what, why, and how from different stakeholders.

c) **Inputs**: Are resources that must be put in or invested in order for activities to take place. They include the financial, human and material resources used for implementing PI projects.

d) **Outputs**: These are short-term development results produced by activities. These may include the products, capital goods, and services that result from PI projects. These may also include changes resulting from the interventions which are relevant to the achievement of outcomes.

e) **Outcomes**: These are actual or intended changes in development condition that interventions are seeking to support. They can be immediate, intermediate or long term.

f) **Impact**: this refers to the “big picture” or higher objective/change being sought and represents the underlying goal of development work/intervention. An impact statement explains why the work is important. Hence, it is the higher-order objective to which PI programmes and projects are intended to contribute.

g) **Indicators**: These are signposts of change along the results chain which are used to track intended results. It should be noted that:
i) In setting the indicators, it is useful to ensure that there is sufficient ownership, and that the process is transparent. Thus, the process needs to be participatory.

ii) A variety of indicators, both quantitative and qualitative should be set.

iii) The fewer the indicators, the better.

**RBM Processes**

In instituting RBM processes the PI project manager will undertake the following steps:

i) Define realistic results based on appropriate analysis. PI project managers should analyse the problems to be addressed and determine their causal and effect relationship. They should emphasize formulation of clear and measurable results. At this stage, they should identify performance indicators for each expected result and specify exactly what should be measured along a scale or dimension.

ii) Identify clearly projects beneficiaries and design the same in order to meet their needs and priorities. This step is part of the broader process of stakeholder analysis. It thus involves identification of key stakeholders and beneficiaries, involving them in identifying objectives and in designing interventions that meet their needs.

iii) Monitor progress of expected results and resources spent, using appropriate indicators. This stage involves managing and monitoring progress with appropriate performance monitoring systems drawing from results achieved.

iv) Use results information to make effective management decisions. This is essentially using performance information coming from performance monitoring and evaluation sources for internal management learning and decision-making as well as for external reporting to stakeholders. It also involves improving management practice based on lessons learned.

v) Identify and manage risks.

vi) Report on results and resources used.

**6.3 Project Implementation and Monitoring**

This section provides an overview of project implementation while introducing the concepts, principles, characteristics and guidelines related to the best project monitoring framework.

**6.3.1 Project Procurement and Implementation**

In practice, project implementation begins with tendering and contracting process. Usually, once a project is selected for financing and all procurement procedures have been undertaken with all relevant contracts pertaining to the project been signed and tender awarded to the contractor the project becomes ready for actual implementation. The implementation is usually supervised by the respective MDA/RS/LGA under the guidance of the consulting
consultant and in cases of construction projects they normally employ consulting engineer. All public procurement and disposal by tender is conducted in accordance with the basic principles set out in the public procurement act 2004, and as repealed by the Public procurement Act, 2011 and its accompanying procurement regulations 2013, in a manner that that maximizes completion and achieve economy, efficiency, transparency and value for money.

The institutions involved in public procurement include the procurement management units in ministries, government departments, regions, districts and urban authorities, tender boards, Central Tender Board, Government Stores, Medical Stores Department, Government Press/Printer, Maji Stores Department, Veterinary Stores and third party procurement agents. Meanwhile, accounting or chief executive officers are responsible for the procurement functions. They are assisted by officer’s in-charge of procurement.

Putting in place a good project implementation plan is a key to successful project monitoring and delivery. Pertinent aspects include among others:

i) Implementation, which begins upon contract signing. Implementation is preceded by a ‘planning’ stage which is concerned with the detailed planning activities required for implementation (detailed design, tendering, etc.) once a decision to proceed is made.

ii) Agreeing on resources required to carry out project activities and deliver outputs. Agreed resources are then used to carry out project activities and deliver the planned project outputs (leading in turn to the achievement of the project’s wider aims).

iii) Information is gathered on the progress of project activities and physical implementation of outputs (monitoring) and information is provided to the PI project implementing agency on the financial implementation of the project (accounting).

iv) A good financial monitoring and reporting is essential for budgeting of public investment, so that:

- sector investment programmes can be prepared and updated; and
- The ministry of finance can determine the fiscal space for new investment projects and set sector expenditure ceilings.

v) The boundaries of the implementation stage are somewhat flexible according to a particular country’s definition of the project cycle.

vi) Systematic and regular information flows from project implementers to management and decision makers

**Management of Government Assets**

The Ministry of Finance is the custodian of government assets and property. Over the past two decades the Government initiated measures for the proper control, management and
disposal of government assets and property. These initiatives culminated to the establishment of the Government Asset Management (GAM) facility under the ministry of Finance.

6.3.2 Definition and Principles of Monitoring

This is defined as an on-going process by which stakeholders obtain regular feedback on the progress being made towards achieving the goals and objectives. Monitoring is more than just tracking progress or reviewing implementation progress. It also involves reviewing progress against achieving defined goals.

Monitoring helps to answer questions on whether the tasks or planned activities are being completed as intended, whether they are being conducted within the timeframe specified, and whether the budget is being spent as planned. Monitoring also shows whether any adjustments are needed in the management or implementation of the given tasks, and whether the work plan need revision based on unexpected and valid circumstances.

In order for the project monitoring to achieve intended results, it should adhere to the following principles and characteristics:

**Principles**

A number of principles for monitoring can be identified:

i) Professionalization (knowledge, ethics, etc.).

ii) Continuity (systems, expertise).

iii) Ownership (by all levels of stakeholders) – reflected in how mainstreamed M&E are, throughout the policy cycle.

iv) Commitment (to utilize M&E systems/findings by all units).

**Characteristics of successful M&E**

i) Clearly defined M&E of policy decisions.

ii) Intensive utilization of M&E information provided by the system.

iii) Information that meets standard for data quality and evaluation reliability.

iv) Sustainability of the system/resilience even when there are changes in government administration.

v) Effective and intensive utilization of M&E findings in policy cycle.

vi) Clearly defined objectives, activities, responsibility, time frame, and means of verification.

vii) Indicators are outcome-based; baseline and indicator targets, indicator review process clearly specified.

**Strategic issues:**

i) Institutionalization.

ii) Culture change or mind setting.

iii) Strengthening design, coordination and implementation.

iv) Facilitating public demand and participation.
6.3.3 Monitoring Logical Framework (Log frame)

A logical framework or log frame is a matrix that shows the conceptual foundations upon which the project’s M&E system is built. The matrix specifies what the project is intended to achieve (objectives) and how this achievement will be measured using indicators.

A log frame should be prepared for all newly approved projects to enhance monitoring and accountability. In preparing the log frame, the PI manager should understand the differences between project inputs, outputs, outcomes, and impact, since the indicators to be measured under the M&E system reflect this hierarchy of activities. Table 6.1 provides guidance on the content and layout of project monitoring logical framework.

Table 6.1 Logical framework (log frame) – Classification of key Activities

<table>
<thead>
<tr>
<th>Project Monitoring logical framework (log frame)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives</strong> (what we want to achieve)</td>
<td><strong>Indicators</strong> (how to measure change)</td>
</tr>
<tr>
<td>Goal</td>
<td>Impact indicators</td>
</tr>
<tr>
<td>The long-term results that an intervention seeks to achieve, which may be contributed to by factors outside the intervention</td>
<td>Quantitative and/or qualitative criteria that provide a simple and reliable means to measure achievement or reflect changes connected to the goal</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Outcome indicators</td>
</tr>
<tr>
<td>The primary result(s) that an intervention seeks to achieve, most commonly in terms of the knowledge, attitudes or practices of the target group</td>
<td>As above, connected to the stated outcomes</td>
</tr>
<tr>
<td>Outputs</td>
<td>As above</td>
</tr>
<tr>
<td>The tangible products, goods and services and other immediate results that lead to the achievement of outcomes</td>
<td></td>
</tr>
<tr>
<td>Activities</td>
<td>As above</td>
</tr>
<tr>
<td>The collection of tasks to be carried out in order to achieve the outputs</td>
<td></td>
</tr>
</tbody>
</table>

Source: UNDP M&E Handbook
6.3.4 Types of Project Monitoring

PI project manager will be required to conduct monitoring of the following aspects:

i) Results monitoring (track effects and impacts): PI project monitoring merges with evaluation to determine if the project is on track (outputs, outcomes, impact) and whether there may be any unintended impacts (positive or negative).

ii) Process (activity) monitoring: This tracks the use of inputs and resources, the progress of activities and the delivery of outputs. It examines how activities are delivered especially with respect to efficiency of both time and resources.

iii) Compliance monitoring: This ensures project compliance with government or donor regulations, grant and contract requirements, local government regulations and laws, ethical standards and expected results. For example, a road construction project may monitor the construction process to ensure that construction adheres to agreed national and international safety standards in construction.

iv) Context (situational) monitoring: tracks the setting in which the project operates, as it affects identified risks and assumptions, but also any unexpected considerations that may arise. This type of monitoring includes the operating environment as well as the larger political, institutional, funding, and policy context that affect the project.

v) Beneficiary monitoring: This tracks beneficiary perceptions of a project. It includes beneficiary satisfaction or complaints (feedback) with the project, including their participation, treatment, access to resources and their overall experience of change.

vi) Financial monitoring: Accounts for costs by input and activity within predefined categories of expenditure. It is often conducted in conjunction with compliance and process monitoring. This is an integral part of public finance management of a project presented in chapter six.

vii) Organizational monitoring: Tracks the sustainability, institutional development and capacity building in the project. It is often done in conjunction with the monitoring processes of the larger implementing organizations. For example, an MDA may use organizational monitoring to track communication and collaboration with respect to project implementation among LGAs (such as regional and district secretariats).

6.3.5 Project Auditing

Controller and Auditor General (CAG) is mandated to carry out financial audit of all public resources (finances) through the National Audit Office of Tanzania (NAOT) as the supreme audit institution of the United Republic of Tanzania. The mandate of this office is enshrined
under Article 143 of the Constitution of the United Republic of Tanzania. The powers and mandate of the CAG are clearly stipulated in Sections 11 and 12 of the Public Audit Act.

The powers, functions and responsibilities of the Controller and Auditor General are governed by constitution since Independence. The constitution explicitly stated the Constitutional mandate, the powers, the functions and the responsibilities of the CAG, as the controllership of funds from the Consolidated Fund and auditing of the use of such funds. The constitution further elaborated on the powers of the CAG such as to have unrestricted access of books of accounts and any other information that is the subject of audit. Moreover, the constitution has all along provided for independence of the CAG that when performing his function, he should not be subject to any order or direction from any Government Department or any person on any issue concerning such audit. The provisions concerning the constitutional mandate of the CAG within the constitution has been expounded by three Acts of Parliament since independence.

6.3.6 Project Implementation Progress Reports

Project Progress Reports are the official documents for ongoing projects, which must be submitted periodically on continuous basis (usually quarterly) especially when the projects is about requesting funding for the coming financial year. The main objective of monitoring reports is to provide progress of the project, and inform, among others, financing decisions. PI project manager will prepare monitoring reports and submit to the project promoter or contracting authority for the planning and budgeting purposes.

6.4 Designing of Monitoring System

A monitoring system provides the information needed to assess and guide the project strategic plan while ensuring effective operations, meeting internal and external reporting requirements, and informing future project programming. Monitoring should be an integral part of project design as well as project implementation and completion.

There are four key components that form the foundation upon which a monitoring system is built. The components play a critical role in monitoring planning while answering the following questions:

i) What does the project want to change and how? (A causal analysis framework).

ii) What are the specific objectives to achieve this change? (Especially with respect to log frame).

iii) What are the indicators and how do we measure them?

iv) How will the data be collected and analysed? (Data collection and analysis plan).

6.5 Project Adjustment

Prospects of outcomes of public projects can change in the course of projects’ implementation owing to some reasons including unforeseen circumstances and technical issues. These changes may necessitate use of control instruments through the funding approval or monitoring process, whereby the project sponsor(s) may recast the project or
even stop disbursements as a control mechanism. It has been argued that this is one of reasons funding must be done in instalments and in tandem with updated cost-benefit analyses. The projects sponsors will act upon receiving, reading and understanding the reports showing viability of funding continuation and thus being accountable for the delivery of the projects’ benefits.

One way monitoring can be reinforced is by using funding process to make monitoring process active. Monitoring has to focus not only on financial reports but also physical visits to verify the pattern of achievement of the expected outcomes. Project management will submit reports to monitoring agencies, which may do auditing as deemed necessary to produce information that will guide funding decision for the next instalment. It is at this stage where sponsors make a decision to proceed as it was planned or to adjust the project in line with the results from a comparison between the project plan and implementation outcomes. Among the outcomes that can lead to projects adjustment are: costs overrun; underperformance; possibility of costs variations owing to uncontrollable factors and prices developments; and other unforeseen circumstances that can jeopardize achievement of the set objectives.

6.5.1 Indicators of Possibility for Project Adjustment

To assess whether there is a need for project adjustment or not, public project efficiency must be considered. The key diagnostic indicators in efficiency evaluation which help judging whether an adjustment is necessary and possible include:

i. Estimated costs and benefits, which are updated to reflect material changes in circumstances.

ii. Consequences of changes in estimated costs and benefits included in operating budgets.

iii. Mechanism which prevents continuation of expenditure on a project when its (net of sunk costs) benefits are not positive.

Implementation of project adjustment is possible if funding review has sufficient flexibility to allow changes in the disbursement profile in line with the changes in the project circumstances. As noted earlier, there is a possibility for adjustment only if monitoring is active, involving financial reports, physical visits and verifications. Otherwise, the basis for adjustment will not be available.

6.5.2 Informing Project Adjustment Decision Making Process

In order to make decision on the project adjustment, some important information must be available. In the course of the project implementation therefore, the following processes should be done and the information obtained to be managed accordingly:

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5 See Rajaram, et. al. (2010)
i. Public investments rationalization: The government has to do rationalization process of the public investment programmes. The purpose should be to assess projects during some specified time interval as a way to enable reprioritization and rearrangement of the ongoing projects. Rationalization process will inform on the proper actions to be taken, like the project’s continuation, deferment or cancellation as it may be deemed necessary.

ii. Preparation of public investments periodic reports: Projects implementation agencies have to prepare periodic reports which will inform evaluation agencies about the status of the projects. Those reports have to include cost-benefit analysis updates. If there have been changes in the benefits or costs, actors responsible for these changes must be identified. This is important in making decision as to whether the project has to be adjusted or not.

iii. Setting decision criteria: As an integral part of project rationalization process, it is important that average outcomes of the similar projects are established, including that of the cost overrun of the major projects in inflation adjusted terms. The reason this information is needed is that decision making needs to be based on the average real conditions, i.e. to avoid biases in projects adjustment.

Guidance 6.1: Public Investments Rationalization Process
It is the role of POPC to oversee annual PI rationalization in order to enable reprioritization and rearrangement of the ongoing projects. The project rationalization shall assess:

a) PI management practices
b) Adherence to strategic objectives of the project
c) Key risks
d) Flexibility and benefits to the end users.

Guidance 6.2: Periodic Reports to Inform PI Adjustment Decision
Projects implementing agencies shall prepare periodic reports as guided in Chapter Ten and any other reports including cost-benefit updates, which POPC may require in order to undertake project rationalization.

6.5.3 Roles in Project Adjustment Decision Making
The decision on project adjustment should be made after some processes as noted in 7.6.2 above. For that reason, roles of the key actors for project adjustment are as guided here:

Guidance 6.3: Project Adjustment Decision Procedure
Guidance 6.3.1: Internal Reviewer: Shall prepare cost-benefit updates
Guidance 6.3.2: Evaluation Agency: Shall conduct assessment of:
   i) PI management practices
   ii) Adherence to strategic objectives of the project
   iii) Key risks
   iv) Flexibility and benefits to the end users.
Guidance 6.3.3: Project adjustment decision making
   The funder will express to POPC/JPIMC an intention to recast or terminate the project funding based on the recommendations of the evaluation agency. The resolution on project adjustment will be reached in a joint meeting between the funder and the JPIMC.
7.0 Definition and Context of Project Evaluation

Project evaluation is a systematic and objective assessment of an on-going or a completed project regarding its design, implementation and results. Evaluation is a rigorous and independent assessment by design and methodology, and involves extensive analysis; an up-front activity not just a back-end activity (linear logic); and integrative in understanding, learning and corrective actions, i.e. with “multiple lenses”.

The aim of evaluation is to determine the relevance and achievement of objectives, developmental efficiency, effectiveness, impact and sustainability of the project. The project evaluation process involves collection, analysis and use of information to answer several questions about a project. Analyses done for project evaluation comprise, *inter alia*, those related to the rationale for the project costs, implementation process, outcomes or impacts, and the need for the project.

Project evaluation provides credible and useful information and lessons to decision making. Through project evaluation the financiers/sponsors, managers, beneficiaries, and other stakeholders of the project learn from experience and are enabled to make necessary interventions for improvement. Project evaluation frameworks tend to focus more on how things have been performed and what difference they have made. Evaluation is generally directed towards measuring progress of pre-established objectives and the impact generated.

7.1 Principles of Evaluation

Evaluation is important for learning, validating results and decision making. It enables project managers to make informed decisions and plan strategically. Evaluation may target a project, an outcome or a thematic area on one or cross-cutting themes. In the public sector, evaluation is done in order to assess impact of governmental programs and should abide by the following principles:

i) Independence – no imposing of restrictions.
ii) Ethical - no conflict of interest.
iii) Credibility – removing bias, maximizing objectivity, meeting minimum quality standards.
iv) Clear focus at the on-set (rationale, decisions to be based on it).
v) Legal mandate.
vi) Transparency (in order to enhance credibility and utility of the evaluation).
vii) Timeliness – design and completion in order for the findings to be useful.
viii) Based on strengthened data collection and processing systems.
Guidance 7.1: Monitoring the Adherence to Evaluation Principles

Guidance 7.1.1: POPC shall oversee adherence to evaluation principles for types I and II national PI projects.

Guidance 7.1.2: RSs/LGAs shall oversee adherence to evaluation principles for types II and III PI projects that are under their respective mandates.

7.2 Schematic Evaluation Framework and Key Questions

There are a number of evaluation types, which can be categorized in a variety of ways. The approach and method used in an evaluation is determined by the target audience and purpose of the process. Figure 7.1 summarizes schematic frame of evaluation and key questions that are answered in the process.

Figure 7.1 Schematic Evaluation Framework and Summary of Key Questions

Source: IFRC, 2011

The set of questions on efficiency are intended to underscore cost considerations in the project implementation. They cover availability of the required inputs, whether they were obtained; channelled to the right activities; and outputs were produced without wasting resources. The set of questions under effectiveness are intended to find out whether the outputs led to targeted outcomes and the objectives were achieved. The third set of questions...
on impact assesses the result/change brought about by the project and whether there were extraneous effects that were not intended before (complimentary or distortionary).

7.3 Types of Evaluation

The types of evaluation are not mutually exclusive and are often done in combination. The main types are: (i) timing; (ii) audience; and (iii) technique/methodology used. In terms of timing, evaluation is classified according to the project’s terminal or periodic concerns. Regarding the audience, evaluation is categorized the way it addresses different issues in the interests of respective stakeholders, while according to methodology it is classified in respect of the approaches used for some specific purposes (Table 7.1 evaluation by these categories).

Table 7.1 Key Types of Evaluation

<table>
<thead>
<tr>
<th>According to timing</th>
<th>According to audience</th>
<th>According to methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Formative evaluation</td>
<td>(i) Internal or self-evaluations</td>
<td>(i) Real-time evaluations (RTEs)</td>
</tr>
<tr>
<td>Is done during project implementation to improve performance and assess compliance.</td>
<td>These evaluations are conducted by those responsible for implementing a project. They can be less expensive than external evaluations and help build staff capacity and ownership. However, they may lack credibility with certain stakeholders, such as donors, as they are perceived as more subjective (biased or one-sided). These tend to be focused on learning lessons rather than demonstrating accountability.</td>
<td>They are undertaken during project implementation to provide immediate feedback for modifications to improve on-going implementation. Emphasis is on immediate lessons learnt from the impact evaluation or accountability. RTEs are particularly useful during emergency operations, and are required in the first three months.</td>
</tr>
<tr>
<td>(ii) Summative evaluations</td>
<td>(ii) External or independent</td>
<td>(ii) Meta-evaluations</td>
</tr>
<tr>
<td>Are conducted at the end of the project implementation to assess effectiveness and impact.</td>
<td>Evaluations of this type are conducted by evaluator(s) outside of the implementing team, lending it a degree of objectivity and often technical expertise. These tend to focus on accountability.</td>
<td>These evaluations are used to assess the evaluation process itself. Some key uses of meta-evaluations include: taking inventory of evaluations to inform the selection of future evaluations; combine evaluation results; check compliance with evaluation policy and good practices; assess how well evaluations are disseminated and utilized for organizational learning and change, etc.</td>
</tr>
<tr>
<td>(iii) Midterm evaluations</td>
<td>(iii) Participatory evaluations</td>
<td>(iii) Thematic evaluations</td>
</tr>
<tr>
<td>These are formative in purpose and occur midway during implementation. Some type of midterm assessment, evaluation or review is required. The number or terms depend on the length of the project life. Typically, this does not need to be independent or external, but may be according to specific assessment needs.</td>
<td>They are conducted with the beneficiaries and other key stakeholders, and can be empowering, building their capacity, ownership and support.</td>
<td>They focus on one theme, such as gender or environment, typically across a number of projects, programmes or the whole organization.</td>
</tr>
<tr>
<td>(iv) Final evaluations</td>
<td>(iv) Joint evaluations</td>
<td>(iv) Cluster/sector evaluations</td>
</tr>
<tr>
<td>They are summative in purpose and are conducted at the end of project implementation to assess how well the project achieved its intended objectives (often done externally). All public investments should have some form of final assessment.</td>
<td>These evaluations are conducted collaboratively by more than one implementing partner, and can help build consensus at different levels, credibility to stakeholders and joint support.</td>
<td>Evaluations of this type focus on a set of related activities, projects or programmes, typically across sites and implemented by multiple actors.</td>
</tr>
<tr>
<td>(v) Ex-post evaluations</td>
<td></td>
<td>(v) Impact evaluations</td>
</tr>
<tr>
<td>Evaluations are conducted sometime after implementation to assess long-term impact and sustainability.</td>
<td></td>
<td>Evaluations focus on the effect of a project, rather than on its management and delivery. Therefore, they typically occur after project completion during a final evaluation or an ex-post evaluation. However, impact may be measured during project implementation, and for longer life time projects when feasible.</td>
</tr>
</tbody>
</table>
Each type of evaluation is neither mutually exclusive nor independently sufficient; they are done together to reinforce assessment of the project. Evaluation has to be informative. While one may be interested in mid-term review, others may wish to look at thematic issues of the project. If the evaluation report did not include such items, there will be a need to rework. The more comprehensive the evaluation process is the better it is for different uses.

Unlike monitoring which focuses inside the project (on what it has produced and what it has done), evaluation focuses outside the project (on the effects it has on its clients or service users). Evaluation asks questions like: Are the objectives fulfilled? Has a project interventions made an impact? Has the project been conducted efficiently? In practice monitoring and evaluation do overlap and are complementary. Distinguishing the two is not necessary as long as a full picture of performance can be provided to the management and project’s stakeholders.

7.4 Economic and Financial Values in Evaluation

Although economic benefits and costs can be differentiated into economic and financial categories, they are reconcilable. Economic value is wider than financial value by the magnitude of externalities. Economic net present value equals financial net present value plus the present value of externalities of the project. In view of this, it means if financial net present value and the present value of externalities can be determined, then economic net present value can be established.

7.5 Evaluation Criteria and Guidance

Evaluation must be properly managed if the process is to succeed. Evaluation has to be based on prior stated criteria and also follow guidelines. There are multiple resources to support evaluation management. These are aids that should guide how evaluation processes has to be planned, commissioned, conducted, reported and utilized. The guidelines are drawn from the best practices of international standard to ensure that evaluations are accurate and reliable (Table 7.2). The criteria state what to evaluate in the process and the standards state how to do the evaluation work.
### Table 7.2 Framework of Evaluation Criteria and Guidelines

<table>
<thead>
<tr>
<th>Evaluation criteria</th>
<th>Evaluation standards guide</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. The country's standards and policies</td>
<td>i. Utility</td>
</tr>
<tr>
<td>Evaluate the extent to which a project upholds the policies and guidelines of the country’s public investments.</td>
<td>Evaluations must be useful.</td>
</tr>
<tr>
<td>ii. Relevance and appropriateness</td>
<td>ii. Feasibility</td>
</tr>
<tr>
<td>Evaluate the extent to which the project is suited to the needs and priorities of the target group and complements work from other actors.</td>
<td>Evaluations must be realistic, diplomatic and managed in a sensible, cost effective manner.</td>
</tr>
<tr>
<td>iii. Efficiency</td>
<td>iii. Ethics and legality</td>
</tr>
<tr>
<td>The extent to which the project is cost-effective and timely; and also the state of quality of material and works.</td>
<td>Evaluations must be conducted in an ethical and legal manner, with particular regard for the welfare of those involved in and affected by the evaluation.</td>
</tr>
<tr>
<td>iv. Effectiveness</td>
<td>iv. Impartiality and independence</td>
</tr>
<tr>
<td>The extent to which the project has or is likely to achieve its intended, immediate results.</td>
<td>Evaluations should provide a comprehensive and unbiased assessment that takes into account the views of all stakeholders. With external evaluations, evaluators should not be involved or have a vested interest in the intervention being evaluated.</td>
</tr>
<tr>
<td>v. Coverage</td>
<td>v. Transparency</td>
</tr>
<tr>
<td>The extent that the project includes (or excludes) population groups and the differential impact on these groups.</td>
<td>Evaluation activities should reflect an attitude of openness and transparency.</td>
</tr>
<tr>
<td>vi. Impact</td>
<td>vi. Accuracy</td>
</tr>
<tr>
<td>The extent to which project effects positive and negative changes on stakeholders, directly or indirectly, intended or unintended.</td>
<td>Evaluations should be technically accurate, providing sufficient information about the data collection, methods of analysis and interpretation so that its worth or merit can be determined.</td>
</tr>
<tr>
<td>vii. Coherence</td>
<td>vii. Participation</td>
</tr>
<tr>
<td>The extent to which the project is consistent with relevant policies (e.g. humanitarian, security, trade, military and development), and takes adequate account of humanitarian and human-rights considerations.</td>
<td>Stakeholders should be consulted and meaningfully involved in the evaluation process when feasible and appropriate.</td>
</tr>
<tr>
<td>viii. Sustainability and connectedness</td>
<td>viii. Collaboration</td>
</tr>
<tr>
<td>The extent to which benefits of the project are likely to continue once the project’s role is completed.</td>
<td>Collaboration between key operating partners in the evaluation process improves the legitimacy and utility of the evaluation.</td>
</tr>
</tbody>
</table>

The project is evaluated from these criteria to verify whether it is/was necessary to implement it, what effects the project has on the beneficiaries, whether the project is/was efficient in terms of effective use of resources, and how long the effects will be sustained. The following are the specific questions, or issues to be addressed for public investment projects by criteria.
### Table 7.3 Application of the Evaluation Criteria for Public Investment Projects

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Issues to be addressed in public investment project assessment and evaluation</th>
</tr>
</thead>
</table>
| **The country’s standards and policies** | Whether a project follows the country’s public investment procedures:  
• Project’s focus compared to the national policy objectives.  
• Extent of adherence with the public investment projects guidelines. |
| **Relevance and appropriateness** | Whether a project matches the priority of the national plans, or targeted region/sector; i.e. the beneficiaries, and other national and regional policies at the time of assessment/evaluation:  
• Appropriateness of the Project Purpose (targeted beneficiary and region, etc.).  
• Consistence of the project purpose and the overall national/regional/sectoral goals and objectives.  
Since development plans, needs and policies change in the course of time, it is important that the project is always evaluated on relevance based on the latest information. |
| **Efficiency** | • Whether project Inputs are utilized appropriately and efficiently.  
• Whether the Inputs invested through the public investment project budget efficiently develops to the outputs.  
In case of newly proposed projects, *feasibility* of efficiency will be evaluated. The main points to consider are:  
• Total cost, including financial schedule and actual disbursement.  
• Implementation plan and actual schedule of the project.  
• Quality of works and material.  
• Action taken for social and environmental issues. |
| **Effectiveness** | To what extent the Project Purpose is achieved.  
In the case of newly proposed projects, *feasibility* of effectiveness will be evaluated. |
| **Coverage** | Whether the project includes (or excludes) some population groups:  
• Likely proportions of different groups that will benefit or lose. |
| **Impact** | Whether and how positive or negative effects are caused through the project implementation, and expectations of positive or negative effects after completion:  
• Individuals’ economic gains and social benefits.  
• Social impacts such as resettlement and regional conflict.  
• Environmental impacts such as pollution, etc. |
| **Coherence** | How much the public investment project is consistent with relevant policies:  
• Human rights considerations.  
• Consistence with the national security, trade, military and development targets. |
| **Sustainability and connectedness** | Whether the outputs and the direct effect produced by the project can be sustained after the project is completed. Existence of Operation and Maintenance (O&M) Plans:  
• Responsible organization of O&M.  
• O&M schedule.  
• Material and equipment needed for O&M.  
• O&M tasks and technical aspects.  
• Costs required for O&M and its financing source. |

#### 7.6 Absolute Assessment and Evaluation

##### 7.6.1 Absolute Assessment and Evaluation Methods

Both absolute assessment and evaluation are focused on the project. The differences between the two are in their objectives. While absolute assessment is intended to improve new and ongoing projects and allocate public investment projects budget, evaluation is intended to check the completed or operational status of the project (Figure 7.2).
Figure 7.2 Absolute Assessment and Evaluation at each Project Stage

Guidance 7.2: Absolute Assessment and Evaluation Responsibility

Guidance 7.2.1: POPC shall conduct project absolute assessment and evaluation of the national PI projects of Types I & II, either on its own (if the capacity is available) or by using a consultant with proven capacity.

Guidance 7.2.2: RSs/LGAs shall conduct project absolute assessment and evaluation of the PI projects of Types II & III that are under their respective mandates. RSs/GAs can do it either by themselves (if the capacity is available) or by using a consultant with proven capacity.

Relevant questions for project absolute assessment and evaluation will be placed in a special form, of which depending on the degree of achievement of the questioned situation, the project will be given a certain score for each item. The simple forms will be used for project absolute assessment and evaluation. These forms are standard ones with questions, the answers of which can lead to judgement for the scores.
**Absolute Assessment form format**

<table>
<thead>
<tr>
<th>Assessment category</th>
<th>Assessment criteria</th>
<th>Performance/possible outcomes</th>
<th>Comments/Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>The set judgment targets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Observed /possible outcomes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revival Projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ongoing Projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comments on absolute assessment performance/outcomes and recommendation on the way forward [including the overall rating, A to F]

In absolute assessment every project has its own expected outcomes and so the assessment form should be customised accordingly. While all projects will have assessment criteria, new projects will be assessed in terms of expected/possible outcomes.
# Evaluation form format

**Project name**

**Project type**

**Location/Sector**

**Description**

<table>
<thead>
<tr>
<th>Evaluation category</th>
<th>Evaluation questions</th>
<th>Answers and Comments</th>
<th>Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Evaluation criteria 1: The country’s standards and policies</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. At completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. After completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation criteria 2: Relevance and appropriateness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. At completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. After completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation criteria 3: Efficiency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. At completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. After completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation criteria 4: Effectiveness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. At completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. After completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation criteria 5: Coverage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. At completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. After completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation criteria 6: Impact</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. At completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. After completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation criteria 7: Coherence</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. At completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. After completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation criteria 8: Sustainability and connectedness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. At completion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. After completion</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL SCORE**

Comments on Evaluation Scores and Recommendation [including the overall rating, A to F]
7.6.2 Rating in Absolute Assessments and Evaluation

A rating system is introduced as a conclusion guideline in absolute assessments and evaluation assignments. The rating ranges from A to D, and an F included for projects that have failed or likely to fail and so rejected. After all questions are graded and reasons given, all scores are added up, and the total score is described in the “Total Row”. The total score is then compared with the rating chart given below (Table 7.4).

Table 7.4 Rating Scheme

<table>
<thead>
<tr>
<th>Rating</th>
<th>Score (%)</th>
<th>General Situation</th>
<th>Analysis and follow-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>80 and above</td>
<td>The project (or project potential) is in good condition. It can be implemented effectively and efficiently according to the budget.</td>
<td>Try improving minor points. Ensure that the project implementation follows the current plan.</td>
</tr>
<tr>
<td>B</td>
<td>70-79</td>
<td>The project (or project potential) is in fair condition, although some improvements are necessary before implementation in some aspects. The project may face minor difficulties if implemented as it is reported.</td>
<td>Try improving the project with the priority on improvement based on the recommendations made in the assessment. When implemented, take special attention to points that are considered weak.</td>
</tr>
<tr>
<td>C</td>
<td>60-69</td>
<td>The project (or project potential) is not in good condition, and improvements are recommended before implementation in many aspects. The project may have major difficulties if implemented as it is.</td>
<td>Recommend to improve plans before implementation. If there are many difficult points, it is recommended to redesign the project from the basic concept.</td>
</tr>
<tr>
<td>D</td>
<td>50-59</td>
<td>The project (or project potential) is in a very bad condition overall, and reconsideration of the project is highly recommended. The project is definitely ineffective and inefficient if implemented as it is.</td>
<td>Strongly recommend to redesign the project altogether.</td>
</tr>
<tr>
<td>F</td>
<td>Below 50</td>
<td>The project is facing a critical defect in at least one aspect of the project. The project is rejected for critical points to be reconsidered. It must be re-assessed. If the defect cannot be amended, the project will be rejected altogether.</td>
<td>Must be redesigned to address the defected points, and receive re-assessment before proceeding.</td>
</tr>
</tbody>
</table>

There is a probability of most public investment projects being rated “A”. In reality not all projects can achieve grade “A”, however, the more serious the assessment or evaluation becomes serious, the more realistic do the results tend to be. Ultimately, all projects fitted within the range of “A” and “B” may be ideal targets for public investment.

7.6.3 Improvement of Projects during the Assessment Process

One of the objectives of absolute assessment is to find out whether further improvements are necessary for the project. Therefore, in the process of assessment, discussions are made among POPC and the Contracting Authority to seek countermeasures to the project issues in relation to the absolute assessment sheet results and recommendations. If improvement is possible through these countermeasures, the project is reassessed and produce improved results. If the rating improves, the improved rate is considered as the updated rate of the project. Attempt for improvement may be continued until the submission of absolute assessment sheet results to the decision maker.
Guidance 7.3: Decisions and Supervision of PI projects Improvement Process

Guidance 7.3.1: For the national PI projects of Types I & II, the POPC and CA shall agree on the requisite countermeasures where necessary and CA shall order the PI management to implement such measures.

Guidance 7.3.2: For the respective regional or local governments PI projects of Types II & III, the particular RS or LGA shall agree with CA on the requisite countermeasures where necessary, and CA shall order the PI management to implement such measures.

Guidance 7.3.3: CA shall oversee implementation process of the recommended countermeasures.

7.6.4 Criteria Weight and Score-rate Relationship

There are various types of the assessment/evaluation objectives of each project and its stages. Depending on the project type and stage, the importance of each assessment/evaluation criterion is different; therefore the weight of importance affecting the total score should be adjusted accordingly. Generally, the following definitions are used as a guideline for criteria weighting.

Guidance 7.4: Setting Criteria Weight of Score Rate

<table>
<thead>
<tr>
<th>Project Stage</th>
<th>Important Points (with higher weight)</th>
</tr>
</thead>
</table>
| New projects (before implementation) | - Verification of relevance and necessity of project.  
- Confirm feasibility of effectiveness.  
- Existence of an Operation & Maintenance idea (especially the organization in charge) in the planning stages (sustainability). |
| Revival project (After suspension) | - Relevance of the project based on the updated development goal and plan.  
- Expectations of effectiveness and efficiency of the project based on a revised plan.  
- Any social and/or environmental negative impact caused during suspension, or expected upon revival. |
| Ongoing (During implementation) | - Efficiency (schedule, cost, quality of work) of the project.  
- Effectiveness or whether the project purpose would be achieved.  
- Any social and/or environmental negative impact caused during implementation. |
| Operation | - Results of operation and progress of maintenance (sustainability).  
- Achievement of the Overall Goal (relevance).  
- Any social and/or environmental negative impact caused during operation. |
| Completion | - Achievement of the project purpose (effectiveness).  
- Existence of a detailed Operation & Maintenance Plan (sustainability).  
- Any social and/or environmental negative impact caused during implementation, or may arise during operation stages. |

7.7 Studies to Inform Evaluation Process

Evaluations are done against some initial conditions. Thus, both baseline and end-line studies have to be done. Baseline study is analysis that describes initial conditions and end-line study is analysis done at the completion of the project as part of final evaluation. Baseline study is usually followed by some other similar study to compare statistics and analyse the observed changes to ascertain the impact between those periods. Although it is challenging, it is the measure of impact that helps indicate whether the project is focused to achieving its objectives or not. Typically, impact involves longer-term changes, and may take months or years for such changes to become noticeable. Furthermore, it can be difficult to attribute
observed changes to an intervention versus other factors (*attributions*) that could have led to realization of outcomes concurrently with the project implementation. This does not, however, mean that an attempt should not be made to study and measure the project’s impact. It is an important exercise for being accountable for what was set out to be achieved.

### 7.7.1 Rationale for Baseline Studies

A baseline study forms the first step in project implementation. A baseline study gathers key information early in a project so that judgments can be made later about the quality and development results achieved by the project. The project’s evaluation plan is closely linked to each (objective) level of the log frame and includes indicators of achievement and means of verification. The baseline study is an early element in an evaluation plan, and uses the log frame structure to systematically assess the circumstances in which the project commences.

The first stage in building an evaluation system typically involves design, execution and analysis of the baseline study in order to establish the frame of reference for subsequent comparisons on which evaluation will be based. Since for these comparative purposes the data to be collected subsequently must be similar to those collected in the baseline study, the methods of selecting and conducting baseline studies should be similar or harmonized.

### 7.7.2 Designing Baseline Study

A baseline study will be ideally available to enable assessment of changes in indicators. The fundamental principles in designing a baseline study are:

i) Conduct the baseline study as early as possible.

ii) The study design must be based on the evaluation design which is, in turn, based on the project theory of change.

iii) The Data must be collected across the results chain, not just on outcomes.

iv) Comparative group sample must be of adequate size, and subject to the same, or virtually the same, questionnaire. While some intervention-specific questions may not be appropriate, similar questions of a more general nature can help test for contagion.

v) Multiple instruments are usually desirable, and must be coded in such a way that they can be linked.

vi) Survey design takes time. Allow at least 3 months from the beginning of design to going to the field.6

vii) Include information to allow tracing of the respondents for later rounds of the study, and ensure that they can be linked in the data.

viii) Avoid changes in survey design between rounds. Ideally the same team will conduct all rounds of the survey.

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6Test and re-test the instruments. Run planned tabulations and analyses with dummy data or the data from the pilot. Once data are collected one to two months are required for data entry and cleaning.
**Guidance 7.4: Baseline Studies Responsibility**

**Guidance 7.4.1:** CA shall be responsible in conducting the baseline study. Depending on the capacity available, CA can hire consultant(s) with proven capacity to undertake the study.

**Guidance 7.4.2:** Baseline study is necessary for projects with a medium-term or long-term span of implementation. For projects to be implemented within a period of up to 2 years, baseline studies may be waived.

**Guidance 7.4.3:** CA shall submit baseline study report to POPC and the line Ministry for the national PI project(s) of Types I & II to facilitate decision making on the project(s) approval for implementation decision.

**Guidance 7.4.4:** CA shall submit baseline study report to RS/LGA and the line Ministry for the regional/LGA PI project(s) of Types II & III to facilitate decision making on the project(s) approval for implementation decision.

### 7.7.3 Ascertaining the Impact

It is important to be careful when doing impact analysis so that the impact of a project is not overstated. Consider an evaluation of a hypothetical rural power supply project (Figure 7.3). If it is presupposed that providing energy to a rural setting will raise incomes and standard of living of the people in that area, and there are other concurrent related development advents in the next 5 years, it can be tricky evaluating the impact of implementation of the power project i.e. to isolate the impact of other interventions.

**Figure 7.3  Hypothetical Rural Electricity Supply Project**

Evaluation of this project will require that one has to have control of extraneous factors, which are called attributions that can cause the same outcome. There is no standard approach of how to control for those attributions of standard of living, for example, but a choice of an appropriate means to go about it is a prerequisite for the evaluator. In this hypothetical project, an evaluator could decide to make a control and treatment groups.

The control and treatment groups should be groups with the same attributes save for the connection to the electricity for the treatment group. By using the baseline survey to
underscore their initial conditions, an evaluator can make a conclusion as to whether electricity provision project has a change/impact or not.

7.7.4 Evaluation Alternatives when there is no Baseline Study

Evaluations are often conducted ex-post, and there may be no baseline study available. Under this circumstance the following options can be considered:

i) Single difference estimate: if treatment and comparison groups are drawn from the same population and some means is found to address selection bias (which will have to be quasi-experimental, since randomization is ruled out unless the treatment had been randomized, but if the programme designers had thought of that they would have thought of a baseline also), then a single difference estimate is in principle valid.

ii) Find another data set to serve as a baseline. Sometimes secondary data can be used to carry out the impact evaluation study. This is especially true when evaluating national or sector-wide interventions. More usually secondary data can be used to buttress other data. At times the project data set could be used for the treatment group and a national data set used to establish the control. If there was a baseline survey but with a poor or absent comparison group, then a national survey might be used to create a comparison group using propensity score matching.

iii) Survey using recall on the variables of interest. Many commentators are critical of relying on recall. However, all survey questions are recall, so it is a question of degree. The evaluator needs to use his or her judgment as to what is reasonable to expect a respondent to remember. It is reasonable to expect people to recall major life changes, introduction of new farming methods or crops, acquisition of large assets and so on, but not the exact amounts and prices of transactions. When people do recall there may be telescoping (thinking things were more recent than they were); so it is useful to refer to some widely known event as a time benchmark for recall questions.

iv) If all the above fail, then the study will make/build a strong analysis of the causal chain (from the programme theory). Often a relatively descriptive analysis can identify breaks in the chain and so very plausibly argue there was low impact.

v) The argument can be further strengthened by triangulation (indeed this point applies whatever method is adopted): drawing on a variety of data sources and approaches to confirm that a similar result obtains from each.

Guidance 7.5: Identification of the Alternative of Baseline Study

CA shall be responsible in identifying suitable alternative to the baseline study in any case where the study is relevant but there is no possibility to undertake it. A consultant with proven capacity can be hired by the CA to do this task.

7.8 Key Elements in Designing Evaluation Process

The key elements in designing an impact evaluation include:

i) Deciding type of evaluation to proceed.

ii) Identifying key evaluation questions.
iii) Embedding the evaluation design in the underlying theory and practical experiences.
iv) Ensuring that the comparison group serves as the basis for a credible counterfactual, addressing issues of selection bias (the comparison group is drawn from a population different from that of treatment group) and contagion (the comparison group is affected by the intervention or a similar intervention by another agency).

v) Triangulating findings.
vi) Contextualising the evaluation.

7.9 Analysis at Evaluation Stage

As indicated in the key types of evaluation (section 8.3), evaluation stage starts in the course of project implementation and ends with two important evaluation works: final/terminal evaluation; and ex-post evaluation.

7.9.1 Mid-term Formative Evaluations/Assessment

These are formative in nature and are done midway through implementation. Some type of midterm assessment, evaluation or review should be done as a way of informing the likely outcomes. This evaluation is important because in case some expected results do not seem to come out, corrective measures can be instituted to refocus the project to its intended objectives. The number or times this type of evaluation is done differs from project to project, but it often depends on the length of the project life. Typically, this does not need to be independent or external, but may be according to specific assessment needs. Issues that are often addressed include:

i) **Is the project managed in a manner that is leading to its expectations?** Check the interim outputs during midterm and judge progress.

ii) **Are there unintended outcomes?** Determine socio-economic impact of the unintended outcomes and compare them with the intended ones.

iii) **What are the likely corrective measures that can improve the results?** In case there is any observed misalignment of the project’s results, midterm evaluation process should be able to point out protective means to avoid or reduce the likely loss.

7.9.2 Final Evaluation

Final evaluation is carried out at the completion of the project, namely before actual operation of the facilities is closed, especially for construction projects. The main focus of final evaluation is whether the project purpose has been accomplished. The organization in charge of evaluation should ask the following questions:

i) **Have all planned important measures been carried out appropriately?** Check whether there are any issues remaining to be carried out even at the end of project implementation.

ii) **Is there any unexpected adverse impact caused by the project?** Check whether there are any adverse impacts due to the project implementation which were not expected before that can be identified.
7.9.3 Ex-post Evaluation

Ex-post evaluation is carried out in some years after the completion of project. These can be after 2, 3 or more years depending on the nature of the project. It aims at examining whether the intended impacts resulting from operating project facilities have emerged. Typical questions to ask:

i) Are there any positive impacts that have been influenced by the project?
   a) Since ex-post evaluation focuses on impact and sustainability of the project, the evaluation needs to check the positive expected/unexpected impacts generated by the project.
   b) Check whether any positive/negative and expected/unexpected impacts generated by the project can be identified.
   c) Widening of opportunities in terms of access to market, education, employment, potable water, etc.

ii) Are there any unexpected adverse impacts caused by the project?
   a) Check whether any adverse impacts, which were not expected to occur before, can be identified.
   b) Check whether there were complaints from the affected, and whether the following occurred due to the project intervention:
      • Widening of income gap.
      • Widening of gender disparities.

7.10 Monitoring and Evaluation Guidelines

Figure 7.4 Evaluation Stages

A. Preparation

Monitoring and evaluation are the main instruments for project management. In practice M&E are implemented together and for that reason, the guidelines for both M&E are placed in this one section of the Manual.

Guidance 7.6: Preparation of Monitoring and Evaluation
The CA shall prepare a monitoring and evaluation framework which shall comprise:
   i) Project management plan.
   ii) Performance criteria.
   iii) External audit and reporting requirements.
   iv) Submission of progress reports.
   v) Verification of project assets and value.
   vi) Stakeholders’ communication.
The monitoring and evaluation framework must enable the contracting authority to measure performance of the contractor and to determine and verify the payments that are due by the different parties under the contract.

**Guidance 7.7: Planning of Monitoring and Evaluation**

**Guidance 7.7.1:** CA shall identify the purpose and scope of the M&E process

**Guidance 7.7.2:** CA shall appoint Contract Management Team (CMT), to be headed by the Contract Management Officer, who will be the Accounting Officer of the CA. This team shall use different skills from PDT, although some members of PDT can be transferred to CMT to assist in resolving some technical issues.

**Guidance 7.7.3:** CMT shall set performance criteria that are directly linked to specified output and payment mechanism.

**Guidance 7.7.4:** CA shall prepare M&E budget.

*Activities should include:*

i) Reviewing the project’s operational design (log frame).

ii) Identification of key stakeholder informational needs and expectations.

iii) Identification of any M&E requirements.

iv) Preparation of scope of major M&E activity.

v) Preparation of detailed and itemized budget for M&E.

**B. Process**

M&E will be done by expert(s) who are knowledgeable and are conversant with how the process is implemented. The selection criteria of the expert or consultant should be based on competitive sourcing.

**Guidance 7.8: Implementing M & E**

**Guidance 7.8.1:** CA shall identify a consultant(s) (the expert(s) with technical knowhow to undertake M & E), and this should be according to the Public Procurement Act, 2011.

**Guidance 7.8.2:** CA shall require the consultant(s) to submit both technical and financial proposals, which will be evaluated on competitive basis.

**Guidance 7.8.3:** CA shall select the consultant who will do M&E assignment.

**Guidance 7.8.4:** Upon selection of the consultant(s) contract to undertake the assignment will be signed between CA and the selected consulting team.

**Guidance 7.8.5:** Consultant shall prepare and present Inception report to the CA’s appointed management team (evaluators) (they can be both internal and external).

**Guidance 7.8.6:** Upon CA’s approval of the Inception report and having common understanding of the ToRs the consulting team will be given a go ahead to implement the assignment.

Among the key activities of the identified expert are to:

i) Develop an M&E plan.

ii) Assess availability of data.

iii) Determine the balance of quantitative and qualitative data.

iv) Triangulate data collection sources and methods.

v) Determine sampling requirements.

vi) Prepare for any surveys to be undertaken.

vii) Prepare specific data collection methods/tools.

viii) Establish project staff/volunteer review mechanisms.
ix) Plan for data management.
x) Perform M&E.

It is the responsibility of the M&E expert to develop a data analysis plan while identifying: purpose of data analysis; frequency of analysis; responsibilities in data analysis; and process for data analysis. The consultant will be expected to follow the key data analysis stages, including: data preparation and analysis (findings and conclusions); data validation; data presentation, recommendations and action planning.

**Formative Evaluations/Assessment**

In order to get progress of the project development, CA has to require the expert to undertake formative evaluations or assessments.

<table>
<thead>
<tr>
<th>Guidance 7.9: Formative Evaluation/Assessment Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance 7.9.1: CA shall require expert to do internal midterm assessments every 6 months and submit reports.</td>
</tr>
<tr>
<td>Guidance 7.9.2: CA shall arrange and facilitate at least one own formative assessment every year of the project.</td>
</tr>
<tr>
<td>Guidance 7.9.3: For the projects lasting for shorter periods than one year, CA midterm assessment shall be done subject to the impressions of the progress reports and projects’ inspections.</td>
</tr>
</tbody>
</table>

**Final and ex-post evaluations**

All public projects will be evaluated at completion and some period after, since the project’s impacts tend to linger after completion, there is a need for ex-post evaluation. It is the role of CA to facilitate these activities for feedbacks and information to the policy makers for further action.

<table>
<thead>
<tr>
<th>Guidance 7.10: Final and Ex-post Evaluation Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance 7.10.1: CA shall plan and facilitate external final evaluation to be done immediately as the project ends.</td>
</tr>
<tr>
<td>Guidance 7.10.2: CA shall plan and facilitate ex-post external evaluation in the later dates after the project ends as a follow up action to track the long-term impacts of the project. The time of this evaluation after the project is concluded, will depend on predetermined nature of the project and expected duration for its long-term results to occur.</td>
</tr>
</tbody>
</table>

**C. Reporting**

Reporting on M&E results will be mandatory to make sure that these processes are done. It is the responsibility of POPC to make sure that M&E are done as required and within the scheduled time.

<table>
<thead>
<tr>
<th>Guidance 7.11: Reporting Monitoring and Evaluation results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance 7.11.1: POPC shall demand monitoring and evaluation reports from CA in the agreed formats, focusing on: needs or targeted audience, frequency and specific formats.</td>
</tr>
<tr>
<td>Guidance 7.11.2: CMT shall evaluate the monitoring and evaluation reports (internally or externally) and recommend for approval, revision or rejection.</td>
</tr>
<tr>
<td>Guidance 7.11.3: Upon approval of the report, CA shall disseminate M&amp;E results to the targeted users or audience.</td>
</tr>
</tbody>
</table>
CHAPTER 8
NATIONAL PROJECT DATA BANK

8.0 Introduction

This chapter proposes a need for a national project data bank, realising the practical need to have all development projects coordinated and tracked. This is a function that ought to be centred at the Planning Commission or an organ entrusted with the task of keeping the record of prospective, new and on-going development projects in the country. Since there is no centralised data base in the country, this is an initiative which would be planned alongside the capacity strengthening initiative. This chapter builds on experiences from successful countries such as Chile, Republic of Lao and other countries and develops working templates for recording and updating data and information on the country’s development projects.

8.1 What is the Public Investment Projects Data Bank?

“The project data bank is a mechanism designed to register data and information on public sector investment projects and to trace their progress through all stages of the project cycle, including implementation and post-implementation evaluation” (Harris, 1992). It is a filing system, serving as a means for keeping records to enable tracking of the project proposals and actions taken over time. In its computerised form, it is capable of generating standard reports, and it aims enhancing the efficiency and effectiveness of project management.

Data and information in the project data bank are extracted from various sources such as policy guidelines, feasibility studies, highlighting project specific factors of interest to financial analysts, investors, government (budget and revenue sections).

8.1.1 Benefits of public investment database

The benefits from the PDB include:

(i) Enhancement of project appraisal methodologies and, *with necessary training*, the identification and production of projects with positive socio-economic rates of return

(ii) Improved inter-institutional *coordination* through exchange and access to information production of projects

(iii) Improved physical and financial monitoring and evaluation of project implementation and therefore timely, corrective interventions to enhance the chances of achieving project objectives

(iv) More informed negotiations of grants and loans from financiers based on established project analyses of feasibility, bankability etc. especially where there is tight competition for loan funds from international financial sources for development finance
(v) More informed policy dialogue on development planning (e.g. on national or strategic projects) and improved project design at all levels of government.

8.1.2 Contents of the Projects Data Bank

A set of the database for public investments will include several items of interest and relevance to decision making. A list of variables that should appear comprises among others, the following:

i) Type, nature and name of the project.

ii) Origin and short description of project.

iii) Date of recommendation/proposal.

iv) Location.

v) Monetary value of the project.

vi) Possible funders and their commitments (if any).

vii) Construed relevance and urgency.

viii) Decision about its implementation.

ix) Stage of implementation.

8.2 Prospective National Project Database Bank (NPDB) for Public Investments

Tanzania can institutionalize a national project data bank system, covering as well projects that do not fall within the sectoral MTEF ceiling/overall budget envelope but are considered highly relevant for growth and development. If additional financial resources become available, these projects are the first to be included in the PI project and, therefore, in the annual budget. Figure 8.1 shows the outlay of the main data base points, with the central point at the POPC.

**Figure 8.1 Data Base Management and Roles**
i) LGAs through councils shall maintain all PI database

ii) RSs shall maintain regional PI database including consolidated LGAs database.

iii) PMO-RALG shall consolidate all PI databases from LGAs and RSs.

iv) Line ministries shall maintain the PI database of their respective sectors including their agencies (the database shall be under the department of policy and planning).

v) POPC shall manage the central PI database by linking PMO-RALG (RSs and LGAs) database and Line ministries database).

In record keeping and format, POPC shall oversee and coordinate development of harmonised reporting templates to be used at all levels.

8.3 Public Investment Projects, the Budget and Project Data Bank

The PI programme will include only projects that the government expects to finance in the medium term. For the first year, the PI programme will coincide with the budget and thus be fully financed. For the second and third years, the PI programme will correspond to the financing that the government expects to be available. Consistence between the PI programme and MTEF will mitigate risks of budget fragmentation and facilitate an integrated assessment of the budget by policy makers, Parliament, and the public. A credible MTEF will also provide an increased degree of predictability of resources for the investment projects given its multi-year nature.

It is a requirement that when a public unit makes investment plans and budgets it has to refer to the recent public investment database. The objective is to refresh memories of the prior pending projects that may have not been implemented, which are visible in the database, and need to be compared with the recent ones for priority assessment. It is from this perspective that the government will be able to track previous proposals and to implement some of those which were not financed in the past but probably viable and high ranking for the current budget.

Guidance 8.1: Public investments information gathering
Guidance 8.1.1: POPC shall prepare public investment programme which is fully integrated with the MTEF.
Guidance 8.1.2: PI programme shall link with the project database.

8.4 Project Reporting Formats

Identifying a potential PI Project is the very first step of PI project formulation. Other rigorous tests have to be evoked these include: feasibility studies, absolute assessment and comparative assessment (rating several projects) for funding. Also projects need to be monitored and evaluated to assess whether they are on track. All these require reports with different formats. The formats in this chapter include feasibility studies, comparative assessment, assessment for on-going projects, as well as completed or revived projects. The reporting formats in this chapter were adopted and modified from Lao Republic (2010).
Please note that these are general reporting formats which can be customised to include sector specific requirements.

8.4.1 Project Assessment and Reporting

Frequency of the progress reports on PI implementation shall follow the normal government reporting procedures which includes quarterly, semi-annual and annual reporting as per the Medium Term Strategic Planning and Budgeting and Reporting Manual. Besides this, projects shall have other reports such as midterm, final reports as well as evaluation reports.

Progress reports shall be prepared by the project management and submitted to the respective ministries which shall consolidate and report to POPC. For Types I and II projects POPC shall require the project implementing agencies, through their respective MDAs to prepare and submit midterm and final reports including impact evaluation report or any other reports deemed necessary.

8.4.2 Assessment for Feasibility Study

After POPC has identified a potential project, approval for budget to conduct feasibility study (FS), designing and environmental/social assessment is requested. Assessment is done by using Reporting Format I-1 and Table 8.1. First level screen will be conducted before formal project appraisal for all projects. Note that any project which worth at least TZS 500 million shall be subjected to a formal project appraisal/feasibility study. Note further that the feasibility study reports for Types I and II projects are inputs to the independent review process.

Reporting Format I.1

Project Proposal: For Feasibility Study and/or Basic/Detailed Design

(i) Basic information of PI project request
(ii) Categorization of request e.g. F/S; project owner; collaborating/advisory organizations – if any; sector of the project, e.g. Transportation, Energy, Education, Public Health, etc.; key Subject of the Project e.g. Road/Bridge Construction, Irrigation, education facilities, medical facilities, vaccination, etc.; location of the study/design; requested total budget of the study/design; and expected duration of the Study/Design Implementation].

(iii) Contents of the study/design
(iv) Background of the study/design; framework of the study/design -study/design by item; study item cost incurred for study period; requirements of environment impact assessment; outputs from the study/design -expected outputs from say feasibility study report -official or other sources].

(v) Framework and cost estimation of the future PI project
(vi) [expected positive effect from the future PIP project (overall goal); summary of overall goal and groups (persons) that benefit; project purpose -project purpose is the objective of the project that is reached at the completion of the
project including groups or individuals that benefit as the result of achieving the project purpose (name of group/individual and number of persons); outputs].

(vii) Cost estimation - breakdown of the studies/design (total cost) -the total cost estimation of the feasibility studies and/or design, and its breakdown by item.

(viii) Cost estimation breakdown (by year) -total cost estimation of the studies and/or design, and its breakdown by year.

(ix) PI project budget request for first year

(x) [Present the requested amount for the first year and its breakdown by item: -items required for first year cost; total budget request for first year].

New projects are assessed by using Project Assessment Sheet (PAS) format C8.2 while after absolute assessment is completed for individual PI projects, Comparative Assessment is conducted – format C8.3.

8.4.3 Assessment for Ongoing Project Implementation

PO monitors both the physical implementation and financial disbursement progress of the project, monitoring results, and request for project budget of the upcoming year through the Reporting Format I-2. The objective is to assess whether the project implementation is proceeding smoothly as planned so that the correct countermeasures are implemented. The second objective is to assess whether appropriate project budget is requested for the ongoing year of implementation. Assessment is carried out using format C8.4.

Reporting Format 1-2 Progress Report

(i) Basic information of the project

(ii) [Name of the project; requested total budget -the total budget for the project of original plan, and changes if any. Give reasons for changes if budget estimation of the project has changed compared to the original plan; current status and expected completion of the project -indication of approximate completion status of project by percentage].

(iii) Progress of the project - summary of progress of the project.

(iv) Project framework

(v) [Overall goal -any changes from the original overall goal summary/indicators/beneficiary groups if any; -reasons for changes; project purpose -changes from the original project purpose summary/indicators/beneficiary groups if any. Reasons for changes; outputs -write the basic components that build up to the completion of the project. If there are no changes from the original project proposal, write the original outputs. If there are any changes from the original, highlight the changes and write the reasons for change; activities in achieving outputs -write the schedule of activities that lead to the achievement of the]
abovementioned outputs. If there are no changes from the original project proposal, write the original activities. If there are any changes from the original, highlight the changes and write the reasons of change. Also include activities completed –and period; activities in progress/planned –and period]

(vi) Cost estimation breakdown (total cost) -the total cost estimation of the project, and its breakdown, based on the updated total budget estimation.

(vii) Project budget results/estimation until present (by year) –consider the cost results and/or estimation of the project by year until present. Percentage of budget vs. total cost (%).

(viii) Project budget request for next year –indicate the budget, request amount for the next year and its breakdown by item.

(ix) Expected completion of payment -indicate the expected year of payment completion.

(x) Project sustainability -sustainability asks whether the project and its direct effect can be sustained after the project is completed.

(xi) Operations and maintenance plan -is there an updated written plan expressing the plans on operation and maintenance after the completion of the project?

(xii) [There are no operation and maintenance plans at this stage; there is an operation and maintenance plan, but has not been studied since it was developed in the planning stages; there is an official operation and maintenance plan, but needs further studies, clarification and update before the project completion; an operation and maintenance plan is made and updated, and enough updated information is ready for project operation after the project completion].

8.4.4 Assessment for Revival Project or Adjustment

This Project Proposal Format is structured for PI project that plans to resume its implementation after it has been suspended for some reasons /needs adjustment. This is a request for an unfinished PI Project that had once been approved in the past (Format C8.5).

8.4.5 Assessment for Completed Project

This project completion report format is structured for PI technical promotion projects that have completed their (physical) implementation indicated in its Proposal (Format C8.6).
Selected Bibliography

BIS (2010). “Guidelines for Managing Projects: How to Organize, Plan and Control Projects”, Department for Business and Innovation Skills


Islam, Alia and Sherif A. El-Araby (undated) “Investigation of Results-based Management (RBM) Approach Applicability in a Developing Country”, Productivity and Quality Institute


Annex A1: Best Practices in PIM Reforms

There are many best practices in PIM reforms that can provide useful lessons for Tanzania (PER, 2010). This section presents some of the lessons which are more relevant to Tanzania.

**Lesson I: Infrastructure Development - Canada**

i) In Canada the reform centred on an all-encompassing infrastructure plan; building country-wide, well-funded programmes that addresses the nation's most important economic and environmental priorities.

ii) All work in the infrastructure area aimed at fostering knowledge and building capability in the key sectors of project design and management, including appraisal, evaluation and monitoring.

iii) *Infrastructure Canada* appropriately developed and systematically promoted the methodology of project evaluation, providing detailed instructions, enforcement rules, and appropriate incentives.

iv) Through the leadership provided by *Infrastructure Canada*, the government managed to promote information, participation and deliberative democracy for all relevant stakeholders. Such a promotion was pursued via specific mechanisms led by the *National Roundtable on Sustainable Infrastructure*.

v) The programme is sustained through successful IT programmes such as the *Shared Information Management System for Infrastructure*.

**Lesson II: Creating a new institution for PIM strategic direction - Ireland**

i) The Economic and Social Research Institute (ESRI) was founded with the objective of strengthening analysis of the Irish socio-economic situation and formulation of a realistic and feasible strategy to achieve the country’s development and economic goals in a sustainable manner. ESRI prepared the 2007-2013 National Development Plan.

ii) Implementation of the Plan remained the responsibility of the specialized government authorities, including two regional assemblies.

iii) A broad consensus building process with social and business partners on implementation and monitoring of the Plan is guaranteed by the National Economic and Social Council (NESC).

iv) NESC reports directly to the Prime Minister on issues regarding analysis and formulation of socio-economic development strategies.

**Lesson III: Gateway function of MoF-UK**

Gateway function is an expanded and enhanced version of the traditional role of Ministry of Finance, of ensuring fiscal discipline and public financing control. The new roles are:

i) Delivery of value for money from third parties;

ii) Delivery of quality projects in time, minimizing cost and realizing benefits;

iii) Getting the best from the government’s estate;

iv) Improving the sustainability of government estate and operations through stronger performance management and guidance;

v) Helping achieve delivery of further government policy goals, including innovation, equality, and support for small and medium enterprises;

vi) Driving forward the improvement of central government capability in procurement, project and programme management, and estates management through development of people’s skills, processes and tools.

**Approaches in PIM**

In theory, there are three broad approaches with regard to reforming Public Investment Management:
i) Create a new PIM institution to ensure that investment management functions are centralized and delivered with clear leadership and accountability (Infrastructure Development model in Canada);

ii) Create a new PIM institution whose aim is to guide the strategic directions of investment management while reinforcing the coordination mechanisms of existing agencies responsible for investment management (ESRI in Ireland model);

iii) Create a new PIM function for an existing entity, empowering the entity with extended responsibilities in investment management (UK gateway model).

Chile Brief

Chile is rated highly for keeping discipline in its public financial management through “unrelenting and disciplined use of transparent cost-benefit analysis for all public investment projects”, an experience accumulated for over three decades since 1975. The country established the National System of Investments (SNI) in the Ministry of Planning (MoP), with SNI jointly run with the Ministry of Finance (MoF). The MoP performs appraisals for all public-investment projects using the cost-benefit analyses (CBA) with a clearly specified methodology, including a shadow social price system and a social rate of discount. The SNI maintains an online databank. The law stipulates that no project would be financed if they have not been passed by the SNI.

Reasons for success include continuity of strong political will in support of the system over decades, intensive training and capacity building at all levels of government, clarity of the methodological manuals issued and constantly updated by the MoP. Thus the SNI sets the norms, techniques and procedures and selects the projects with the highest social net present value.

As lessons for Tanzania, it is important to note from the Brief that the SNI, jointly administered by the MoP and the MoF, three main tools (1) coherent methodologies for preparing and assessing projects, including a specified set of shadow prices and a social discount rate (2) continuous training of officials for an adequate technical capacity at all levels of government (3) making publicly available an integrated data bank of projects (BIP) which facilitates efficient and coordinated public-finance management as well as informed policymaking.

Summing up

These approaches suggest possible institutional arrangement under which Public Investments can be managed. The first one focuses on centralizing PIM functions in “a new central” institution. The second one focuses on creating a new institution that guides the strategic directions of PIM while re-enforcing the coordination mechanisms among existing actors. The third approach, assigns the full PIM functions to an existing institution. With assignment of planning function to the POPC in 2008, the Government of Tanzania, by implication adopted the second approach. However, there is still a need to have a clear demarcation on the roles of various institution involved in PIM (PER, 2010) and this partly can be enhanced through learning from elsewhere with best practice.

Similarly, with the assignment of the planning function to POPC in 2008, the government of Tanzania has de facto gone the route of the Irish model. Shortly after the general elections in 2010, the President tasked POPC with the following: (i) Review implementation of TDV 2025 to determine if its goals, objectives and targets are still relevant, and subsequently improve upon the vision where necessary, and (ii) prepare a roadmap (Long Term Plan 2011-25) to implement TDV 2025. LTP is to be subdivided into three FYDPs, with time bound targets and indicators of progress to be delivered by each sector. Despite the clear tasks mandated POPC, demarcation of responsibilities among the various stakeholders, in particular between MoF and POPC, was unclear. This needs to be pursued.

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### Annex A2: Overview of Financiers and Their Roles

<table>
<thead>
<tr>
<th>Financier</th>
<th>ROLE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International Multilateral Organizations: World Bank Group</strong></td>
<td>Mitigate risks and provide risk enhancements as a senior lender. Provides both financing and loan guarantees.</td>
</tr>
<tr>
<td><strong>International Bank of Reconstruction and Development (IBRD)</strong></td>
<td>Lender of last resort, meaning that no other lender will provide financing, so the borrower must demonstrate that the project is feasible and the borrower will be able to repay the loan.</td>
</tr>
<tr>
<td><strong>International Development Association (IDA)</strong></td>
<td>Finances projects in the world’s poorest countries (that do not qualify for market-based interest rates). IDA charges a small fee rather than an interest rate. IDA receives funds from subscription members and the World Bank, rather than capital markets, providing long-term loans.</td>
</tr>
<tr>
<td><strong>International Finance Corporation (IFC)</strong></td>
<td>Provides financing, and while it does have the capacity to provide guarantees, it does not. The IFC has two types of loans: &quot;A loans&quot; (financed by the IFC’s own funds) and &quot;B loans&quot; (financed by external funds). B loans have high interest rates (higher than the World Bank) to attract more capital by offering capital investors a higher interest rate. IFC can be an equity shareholder.</td>
</tr>
<tr>
<td><strong>Multilateral Investment Guarantee Agency (MIGA)</strong></td>
<td>Main function is to mitigate risk by providing political risk insurance (e.g., change of authority or change in legislation) as well as to mediate possible disputes. As a result, MIGA backing can help attract funding.</td>
</tr>
<tr>
<td><strong>Regional Development Banks</strong></td>
<td>Goals are to reduce poverty and increase development on a regional level.</td>
</tr>
<tr>
<td>African Development Bank</td>
<td>Finances at rates based on its own costs and not international rates, assists with drafting feasibility studies, technical cooperation, and other operations of the project.</td>
</tr>
<tr>
<td>Asian Development Bank</td>
<td>Focused on providing financing rather than guarantees. In fact, until recently, the ADB required the host government to provide a guarantee on lending available only to governments, but has since shifted to provide lending to private companies.</td>
</tr>
<tr>
<td><strong>European Bank for Reconstruction and Development</strong></td>
<td>Charges market interest rates, in addition to a whole range of services including mobilizing additional funds. Serves as a guarantor, and an equity investor.</td>
</tr>
<tr>
<td>Islamic Development Bank</td>
<td>Provides interest-free financing based on Islamic religious principles (Sharia law), also finances leases. Can be an equity holder.</td>
</tr>
<tr>
<td><strong>Bilateral Organizations</strong></td>
<td>Provide financing and political risk insurance.</td>
</tr>
<tr>
<td><strong>Commercial Banks</strong></td>
<td>Provide short-term loans with floating interest rates based on good to excellent credit rating for the SVP and/or host country.</td>
</tr>
</tbody>
</table>
Annex A3: Project Proposal Formats

**Format 1:** Project Proposal For PI Project For Technical Promotion (Capacity Development)

1. **Basic Information of the Project**
   i) Name of the Project.
   ii) Particulars of the project owner (and organization in charge of the project), department/section, name, etc. collaborating/advisory organizations (if any).
   iii) Sector of the project.
   iv) Location of the project.
   v) Requested total budget.
   vi) Expected duration of the project implementation (write the expected duration of the project implementation).

2. **Background of the project**

3. **Framework of the project**

3.1. **Overall Goal.**
   i) Write the summary and indicator of overall goal.
   ii) Write the indicators that express achievement of the overall goal.
   iii) Write the groups that benefit as the result of achieving the overall goal.

3-2 **Project Purpose**
   i) Write the summary of the project purpose.
   ii) Write the indicators that express achievement of the project purpose.
   iii) Write the groups or individuals that benefit as the result of achieving the project purpose.

3-3 **Outputs**
   Write the basic components that build up to the completion of the project.

3-4 **Planned Activities in Achieving Outputs.**
   i) Write the schedule of activities that leads to the achievement of the output.
   ii) Outputs.

3-5 **Required Inputs for carrying out Planned Activities**
   Write the inputs of the project, such as materials, equipment and workforce used to commence activities.

4. **Cost estimation breakdown (Total cost)**
   Write the total cost estimation of the project, and its breakdown including the breakdown for the planned activities.

5. **Cost estimation breakdown (by year)**
   Write the total cost estimation of the future PI project, and its breakdown for the planned activities.

6. **PI project budget request for first year**
   Write the budget request amount for the first year and its breakdown by item.

7. **Project sustainability**
   Sustainability asks whether the project and its direct effect can be sustained after the project is completed.

7-1 **Operations and Maintenance Plan**
7-2 **Organizational Sustainability**
   Write the organization in charge of operation and maintenance of the project outputs, once it is completed.

7-3 **Financial Sustainability**
   Write the expected budget sources and the annual amount of cost incurred in the operation and maintenance of the project after its completion.

**Format 2:** Project proposal for feasibility studies and/or basic/detailed design

1. **Basic information of the PI project request**

1-1 **Categorization of Request**
   i) Feasibility Study.
   ii) Basic Design.
   iii) Detailed Design.

1-2 **Tentative Name of Future PI Project**

1-3 **Project Owner (and organization in charge of the Study/Design); Department/Section, Name**

1-4 **Collaborating/Advisory Organizations (if any)**
   Write name(s) of governmental or non-governmental organizations that are expected to collaborate, or provide advisory to the project.

1-5 **Sector of the Project**
   i) Public Works and Transportation.
   ii) Energy and Mining.
1-6 Key Subject of the Project
Select the key subject of the Study/Design from the following.

i) Road/Bridge Construction.
ii) Electricity Substation/Lines.
iii) Irrigation.
iv) Information Technology.
v) Agriculture Facilities.
v) Education Facilities.
vi) Medical Facilities.
vii) Tourism Facilities.
ix) Other (indicate specific subject).

1-7 Location of the Study/Design

1-8 Requested Total Budget of the Study/Design
Write the total budget required for the Study/Design.

1-9 Expected Duration of the Study/Design Implementation
Write the expected Duration of the Study/Design.

2 Contents of the Study/Design
2-1 Background of the Study / Design
2-2 Framework of the Study/Design
Write the framework of Study/Design by item.

2-3 Requirements of Environment Impact Assessment
Check whether the study/design will be conducting any of the following:

i) Initial Environmental Examination (IEE).
ii) Environment Impact Assessment (EIA).
iii) Social Impact Assessment (SIA).
iv) Other environmental assessment.

2-4 Outputs from the Study / Design
Check all reports or outputs that are expected through this study / design from the following.

i) Feasibility Study Report.
ii) Basic Design.
iii) Detailed Design.
iv) Others (indicate the name of reports/documents that will be prepared).

3 Frameworks and Cost Estimation of the Future PI Project
3-1 Expected Positive Effect from the Future PI Project (Overall Goal)

i) Summary of Overall Goal.
ii) Write the groups that benefit as the result of achieving the Overall Goal.

3-2 Project Purpose
Project Purpose is the Objective of the project that is reached at the completion of the project.

i) Write the summary of Project Purpose.
ii) Write groups or individuals that benefit as the result of achieving the Project Purpose.

3-3 Outputs
Write the basic components that build up to the completion of the proposed PI project.

3-4 Cost Estimation of the proposed PI Project
Write the total cost estimation of the proposed PI project, and its breakdown by item.

4 Cost Estimation Breakdown of the Studies/Design (Total Cost)
Write the total cost estimation of the Feasibility Studies and/or Design, and its breakdown by item.

5 Cost Estimation Breakdown (by Year)
Total cost estimation of the Studies and/or Design, and its breakdown by year.

6 PI project Budget Request for First Year
Write the budget request amount for the first year and its breakdown by item.
Format 3: Project Proposal for Construction Projects

1 Basic Information of the Project
1-1 Name of PI infrastructure Project
1-2 Project Type (classification in Chapter two)
1-3 Project Owner (and organization in charge of the project) Department/Section/Name
1-4 Collaborating / Advisory Organizations (if any)
   Write the name(s) of governmental or non-governmental organizations that are expected to collaborate, or provide advisory to the project.
1-5 Sector / Key Subject of the Project
1-6 Key Subject of the Project
1-7 Location(s) of the Project
1-8 Total Cost of the Project
   Write the total cost required for the project.
1-9 Expected Duration of the Project Implementation
   Write the expected Duration of project implementation.

2 Background of the Project

3 Project Framework
3-1 Overall Goal
   i) Write the summary of Overall Goal.
   ii) Write indicators for the achievement of the Overall Goal, and their data source or means of verification.
   iii) Write groups that benefit as the result of achieving the Overall Goal.
3-2 Project Purpose
   i) Write summary of the Project Purpose.
   ii) Write indicators that express the achievement of the Project Purpose, and their data source or means of verification.
   iii) Write groups or individuals that benefit as the result of achieving the Project Purpose.
3-3 Outputs
   Write basic components that build up to the completion of the project.
3-4 Planned Activities in Achieving Outputs
   Write the schedule of activities that leads to the achievement of the abovementioned Outputs.
3-5 Required Inputs for carrying out the Planned Activities
   Write the inputs such as materials, equipment and workforce used to carry out planned activities.

4 Cost Estimation Breakdown (Total Cost)
   Write the total cost estimation of the future PI project, and its breakdown including the planned activities.

5 Cost Estimation Breakdown (by Year)
   Write the total cost estimation of the future PI project, and its breakdown by year.

6 PI project Budget Request for First Year
   Write the budget request amount for the first year and its breakdown by item.

7 Economic /Financial Analysis
   Check the feasibility of the investment criteria that are needed for economic/financial analysis.

8 Social Impact and its Countermeasures
   i) Write social negative impacts liable to occur during and after project implementation.
   ii) Provide countermeasures to overcome or lessen these impacts.

9 Environmental impact and its countermeasures
9-1 Environment Impact Assessment
   Check the environmental certificates obtained in the planning stages of the project.
   i) Initial Environmental Examination (IEE).
   ii) Environment Impact Assessment (EIA).
   iii) Social Impact Assessment (SIA).
   iv) Other Environmental Assessment Certificates.
   v) None.
9-2 Environmental Impact and its Countermeasures
   i) Write environmental negative impacts liable to occur during and after project implementation.
   ii) Provide countermeasures to overcome or lessen these impacts.

10 Project Sustainability
   Sustainability asks whether the project and its direct effect can be sustained after the project is completed.
10-1 Operations and Maintenance Plan
   Is there operation and maintenance plan?
10-2 Organizational Sustainability
   Write the organization in charge of operation and maintenance of the project outputs, once it is completed.
10-3 Financial Sustainability
   Write the expected budget sources and the annual amount of cost incurred in the operation and maintenance of the project after completion.
1 Basic Information of the PI project Request
1-1 Name of PI Construction Project
1-2 Project Owner (and organization in charge of the Study / Design): Department/Section, and Name:
1-3 Collaborating / Advisory Organizations (if any)
   Name(s) of governmental or non-governmental organizations that are expected to collaborate, or provide advisory to the project.
1-4 Sector of the Project
   Select the specific sector of the Project from the following:
   i) Public Works and Transportation.
   ii) Energy and Mining.
   iii) Agriculture and Forestry.
   iv) Information and Culture.
   v) Education.
   vi) Public Health.
   vii) Other (indicate specific sector).
1-5 Key Subject of the Project
   Select the key subject of the Project from the following:
   i) Road/Bridge Construction.
   ii) Electricity Substation/Lines.
   iii) Irrigation.
   iv) Information Technology.
   v) Agriculture Facilities.
   vi) Education Facilities.
   vii) Medical Facilities.
   viii) Tourism Facilities.
   x) Other (indicate specific subject).
1-6 Location(s) of the Project.
1-7 Total Cost of the Project including Feasibility Study / Design.
   i) Write the total cost required for the project and studies.
2 Background of the Project and Study
3 Information on Feasibility Study / Design
3-1 Framework of the Study / Design
   Indicate the framework of the feasibility studies and/or design incurred in the proposal.
3-2 Outputs from the Studies / Design
   Check all reports or outputs that are expected through this studies / design from the following:
   i) Feasibility Study Report.
   ii) Basic Design.
   iii) Detailed Design.
   iv) Other (indicate the name of reports/documents that will be prepared).
4 Project Frameworks
4-1 Overall Goal
   i) Write the summary of Overall Goal.
   ii) Write indicators that express the achievement of the Overall Goal, and their data source or means of verification.
   iii) Write groups that benefit as the result of achieving the Overall Goal.
4-2 Project Purpose
   i) Write summary of the Project Purpose.
   ii) Write indicators that express the achievement of the Project Purpose, and their data source or means of verification.
   iii) Write groups or individuals that benefit as the result of achieving the Project Purpose.
4-3 Outputs
   Write basic components that build up to the completion of the project.
4-4 Planned Activities in Achieving Outputs
   Write the schedule of activities that leads to the achievement of the abovementioned Outputs.
4-5 Required Inputs for carrying out Planned Activities
   Write the input of the project such as materials, equipment and workforce used to commence activities.
5 Cost Estimation Breakdown (Total Cost)
   Write the total cost estimation of the study and project, and its breakdown by item.
6 Social Impact and its Countermeasures
   i) Write social negative impacts likely to occur during and after project implementation.
   ii) Provide countermeasures to overcome or lessen these impacts.
7 Environmental impact and its countermeasures

7-1 Environment Impact Assessment
Check the environmental certificates obtained in the planning stages of the project.
  i) Initial Environmental Examination (IEE).
  ii) Environment Impact Assessment (EIA).
  iii) Social Impact Assessment (SIA).
  iv) Other Environmental Assessment Certificates.
  v) None.

7-2 Environmental Impact and its Countermeasures
  i) Write environmental negative impacts likely to occur during and after project implementation.
  ii) Provide countermeasures to overcome or lessen these impacts.

8 Project Sustainability
Sustainability asks whether the project and its direct effect can be sustained after the project is completed.

8-1 Operations and Maintenance Plan.
  Is there operation and maintenance plan?

8-2 Organizational Sustainability
  Write the organization in charge of operation and maintenance of the project outputs, once it is completed.

8-3 Financial Sustainability
  Write the expected budget sources and the annual amount of cost incurred in the operation and maintenance of the project after completion.

Format 5: Project Proposals for Construction Revival Projects

1 Basic Information of the PI project Request
  1-1 Name of PI Infrastructure Project
     i) Write the original name of the PI Infrastructure Project to be resumed.
     ii) Write the Project Code of the original PI Infrastructure Project.

  1-2 Project Type
     Select the Type of the PI project that was originally categorized.

  1-3 Project Owner (and organization in charge of the revival of the project): Department/Section; name.

  1-4 Sector of the Project
     Select the specific sector of the Project from the following. If “Other”, indicate specific sector:
     i) Public Works and Transportation
     ii) Energy and Mining.
     iii) Agriculture and Forestry.
     iv) Information and Culture.
     v) Education.
     vi) Public Health.
     vii) Other (indicate specific sector).

  1-5 Key Subject of the Project
     Select the key subject of the Project from the following:
     i) Road/Bridge Construction.
     ii) Electricity Substation/Lines.
     iii) Irrigation.
     iv) Information Technology.
     v) Agriculture Facilities.
     vi) Education Facilities.
     vii) Medical Facilities.
     viii) Tourism Facilities.
     x) Other (indicate specific subject).

  1-6 Location(s) of the Project

  1-7 Collaborating / Advisory Organizations (if any)
     Name(s) of governmental or non-governmental organizations that are expected to collaborate, or provide advisory to the project.

  1-8 Total Cost of the Project
     i) Write the total cost required for the project, including the new total cost after revival.
     ii) If there is a difference between the “Total Cost Requested at Revival” and “Total Cost Requested at the Initial Stage”, state its reasons.

  1-9 Duration of the Original Project Implementation

  1-10 Period of Suspension

  1-11 Expected Duration of the Remaining Project Implementation
     Expected Duration of project implementation.
2 Background of the Project
   2-1 Background of the Original Project Plan.
   2-2 Progress of Project at Suspension, and its Current Conditions.
      (Current condition of the project site, including necessity of re-working some completed items).
   2-3 Reasons of Suspension

3 Project Framework
   3-1 Overall Goal
      i) Summary of new Overall Goal.
      ii) New indicators that express the achievement of the overall goal, and their data source or means of verification.
      iii) Groups that benefit as the result of achieving the overall goal.
   3-2 Project Purpose
      i) Summary of new project purpose.
      ii) New indicators that express the achievement of the project purpose, and their data source or means of verification.
      iii) Groups or individuals that benefit as the result of achieving the project purpose.
   3-3 Outputs
      Basic components that build up to the completion of the project.
   3-4 Further Planned Activities for Completion by Outputs
      Schedule of further activities that leads to the achievement of the Outputs.
   3-5 Further Planned Inputs in Conducting Revised Plan Activities
      Input such as materials, equipment and workforce used to commence activities.

4 Cost Estimation Breakdown (Total Cost)
   Total cost estimation of the revived PI project and its breakdown.

5 Cost Estimation Breakdown (by Year)
   Total cost estimation of the future PI project, and its breakdown.

6 PI project Budget Request for Next Financial Year

7 Economic/Financial Analysis
   Check feasibility of the investment as updated with the Total Cost Requested at Revival.

8 Social Impact and its Countermeasures
   i) Write social negative impacts likely to occur during and after project implementation.
   ii) Provide countermeasures to overcome or lessen these impacts.

9 Environmental Impact and its Countermeasures
   9-1 Environment Impact Assessment.
      Check the current environmental certificates obtained in the planning stages of the original project:
      i) Initial Environmental Examination (IEE).
      ii) Environment Impact Assessment (EIA).
      iii) Social Impact Assessment (SIA).
      iv) Other Environmental Assessment Certificates.
      v) None.
   9-2 Environmental Impact and its Countermeasures
      i) Write environmental negative impacts likely to occur during and after project implementation.
      ii) Provide countermeasures to overcome or lessen these impacts.

10 Measures for Sustainability
   Sustainability asks whether the project and its direct effect can be sustained after the project is completed.
   10-1 Operations and Maintenance (O&M) Plan
      Is there an operation and maintenance plan?
   10-2 Organizational Sustainability
      Write the organization in charge of operation and maintenance of the project outputs, once it is completed.
   10-3 Financial Sustainability
      Write the expected budget sources and the annual amount of cost incurred in the operation and maintenance of the project after completion.
Annex A5.1: Project Finance Cases from Other Countries

Azito Power Project (Azito)

Sub-Saharan Africa Benefits from the first IDA Guarantee for Azito

International Development Association (IDA) Project Finance and Guarantees (June 1999)

Project Finance & Guarantees Department

Private Sector and Infrastructure vice Presidency

IDA recently provided its first Partial Risk Guarantee Operation for the US$223 million Azito Power Project (Azito) in the Republic of Cote d’Ivoire (ROCI) under the Pilot Programme approved in August 1997. The Project, which consists of a 300MW gas-fired power station and a 225 kV transmission line, has high priority in the economic investment and development strategy of the country and will address the critical shortage of power supply anticipated for 1999. Azito, which reached Financial Closure in January 1999, will be among the lowest tariffs in Sub-Saharan Africa. Azito will also have electricity exporting capacity to neighbouring countries such as Ghana, Togo, and Benin. The project is located 10 kms from Abidjan city centre and is undertaken in two phases - Phase I is already in commission and Phase II is scheduled for completion by November 1999.

The Project

The project consists of a Power Plant (open cycle gas turbine) with two 150 MW phases and a 16- km double circuit 225 kV Transmission line. The Transmission component, which will transport power from Azito to the existing power system and reinforce the existing grid, will be completed along with the first two phases of the Power Plant. The transmission system will be turned over to the state upon completion of construction and will incur payment obligations to the project. The Project will be implemented on a build-operate-transfer (BOOT) scheme for a term of 24 years.

The Government of Cote d’Ivoire (GOCI) is responsible for providing natural gas to the project. The gas will come from offshore gas fields operated by Apache and United Meridian International Corporation (UMIC) through pipelines from Vridi central gas terminal to the Project site. Power generated by the Azito plant will be distributed by Compagnie Ivoirienne d’Electricité (CIE), a private utility set up as a joint venture of Société d’Aménagement Urbain et Rural International (SAURI) and Electricité de France International (EDFI). CIE is responsible for the transmission and distribution of power in the country on behalf of the State.

The Power Sector in Cote d’Ivoire

Power in Cote d’Ivoire is produced by a combination of hydro and thermal facilities. The total capacity of the system is at present about 1050 MW. The hydroelectric system is composed of several dams of small to medium size (5 to 210 MW). The annual power production is highly dependent on the level of rainfall. Over the last 15 years, with the exception of 1983 (due to a severe drought), the yearly production varied between 870 and 1900 GWh, with an average of 1,300 GWh. The years 1995, 1996, and 1997 have been favourable (1,700 to 1,900 GWh). In comparison 1998 generation was significantly less productive while 1999 is predicted to be around the 1998 level. Existing thermal capacity (446 MW) is produced by CIE and Compagnie Ivoirienne de Production d’Electricité (CIPREL).

Project Background

The Azito Power project is the second IPP in Cote d’Ivoire following CIPREL, which was developed in 1994. Azito was awarded to ABB in June 1997 following competitive bidding among six pre-qualified sponsors. The winning bid of ABB Energy Ventures and Electricité de France International incorporated a special purpose company, CINERGY, S.A. (CINERGY), in Cote d’Ivoire in 1998 to own and operate the Project. The Sponsors described below are equity investors in the company:

a. ABB Energy Ventures, B.V. ABB-EV is a subsidiary of Asea Brown Boveri Limited (ABB)
b. *Electricité de France International* (EDFI) is a wholly owned subsidiary of Electricité de France (EdF), the French national electrical utility.

c. *Industrial Promotion Services-Côte d’Ivoire, S.A.* (IPS-CI), a unit of the Aga Khan Fund for Economic Development. ABB EV and EDFI will hold 74% of the Company, through CINERGY Holding B.V. (CHC), a company incorporated under the laws of Netherlands, and IPS International will hold the remaining 26%.

**Financing Structure**

The total financing cost was around US$223 million for the Power Plant and the Transmission components combined. The Project was financed through a combination of equity, subordinated debt, and senior debt in the ratio of 20:10:70. This is summarized in the table below.

**Summary of the Financing Structure**

<table>
<thead>
<tr>
<th>Senior Debt</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFC A</td>
<td>32</td>
</tr>
<tr>
<td>IFC B</td>
<td>30</td>
</tr>
<tr>
<td>CDC Club</td>
<td>48</td>
</tr>
<tr>
<td>PRG-Guaranteed</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subordinated Debt</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed IFC</td>
<td>4</td>
</tr>
<tr>
<td>Fixed CDC Club</td>
<td>6</td>
</tr>
<tr>
<td>Convertible IFC</td>
<td>4</td>
</tr>
<tr>
<td>Convertible CDC</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash from Operations</th>
<th>Amount</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Equity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cinergy Holding</td>
<td></td>
</tr>
<tr>
<td>ABB Energy Ventures</td>
<td>17</td>
</tr>
<tr>
<td>EdF International</td>
<td>16</td>
</tr>
<tr>
<td>IPS Côte d’Ivoire</td>
<td>12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Sources</th>
<th>Amount</th>
</tr>
</thead>
</table>

The equity component consists of approximately US$45 million of shareholders contribution. The shareholders have also committed to make available up to US$17 million as contingency finance for the project. The subordinated debt of US$20 million will consist of US$10 million of convertible debt and US$10 million of fixed debt. This was funded jointly by the International Finance Corporation (IFC) and the Commonwealth Development Corporation (CDC).

The $140 million senior debt consists of: $32 million IFC A loan with 14 years maturity, $30 million IFC B loan with 10 years maturity, $30 million commercial loan tranche with 12 years maturity supported by an IDA Guarantee and a $48 million CDC Club loan with 12 years maturity. The CDC Club loan was funded by several bilateral and multilateral institutions led by CDC including the African Development Bank, Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and Deutsche Investitions und Entwicklungsgesellschaft GMBH (DEG).

The Lead Arranger and Underwriter of both the IFC B Loan and the IDA Facility was Société Générale of France. The IFC B loan and the IDA Guarantee tranches were successfully syndicated on a pro rata basis to a group of international banks. The IDA Guarantee was considered critical to the completion of the financing for the Project and instrumental to obtaining the longest tenor to date for a commercial financing for Côte d’Ivoire. IDA was brought in to the Project when the Government of Côte d’Ivoire extended the scope to include the transmission system and requested the Sponsors to finance the incremental cost. The Sponsors explored all alternative sources of finance, including the possibility of increasing the IFC B loan. The additional financing, therefore, required IDA’s credit enhancement as a ‘lender of last resort’.
The key to mobilizing commercial banks has been the guarantee provided by the International Development Association (IDA)  "Project Finance Magazine"

"Azito is the first power project to be financed on a non-recourse finance basis in the region and as such will provide a framework for further developments."  Project Finance Magazine

Contractual Framework

The security structure for the project consists of a set of contractual agreements, which defines the rights and obligations of the major participants in the project. The Project related risks, such as construction, operation and natural force majeure risks will be borne by the sponsors and the lenders. Sovereign or political risks are assumed by GOCI and its agencies and are backstopped by the IDA Guarantee. These risks are identified and allocated through the Project’s contractual framework, which comprises of the following main agreements:

- **The Concession Agreement (CA)** between the GOCI and CINERGY S.A. was signed on September 5, 1997 and was subsequently amended on July 5, 1998. Under the CA, the Company is granted with the exclusive right to develop the plant and is required at the end of the term of the CA to transfer the plant to the GOCI. Under the Concession Agreement GOCI has undertaken to purchase the power on a take or pay basis and to supply gas to the project. • **The CCEM ("Contract Clef en Main" – turnkey contract)** between the GOCI and the Company was signed on July 15, 1998. Under the CCEM, the Company has agreed to finance, design, construct, supply, install and commission an energy evacuation system ("ESS") required for the delivery of electric power generated by the Azito power plant to the national electric power grid and transfer the system to GOCI after construction to be operated by CIE.

- **The Engineering Procurement and Construction Contracts (EPC)** between CINERGY and the respective suppliers and contractors. The plant contractors are ABB Power Generation Ltd., ABB Sadelmi S.p.A. and Societa Italiana Montaggi, S.p.A. The transmission contractors are ABB High Voltage Technologies Ltd. and ABB Sadespa S.A.

- **The Operations and Maintenance Agreement (O&M)** between CINERGY and Azito O&M S.A. (the “Operator” owned 50% each by EDFI and ABB EV). The Agreement is intended to be in the nature of a “fixed price” contract covering both routine operations and maintenance and major maintenance. The term of the O&M Agreement expires 15 years from provisional acceptance of Phase 2.

- **Loan documentation** consists of the Common Terms Agreement, the Share Retention and Project Funds Agreement, the Inter-creditor Agreement, the Subordination Agreement, the respective Loan Agreements, the Trust and Retention Accounts Agreement and the Direct Agreement.

IDA Partial Risk Guaranteed Loan

The IDA PRG guarantees commercial lenders against defaults in scheduled debt service payments of both principal and interest on a non accelerating basis resulting from State failure to meet its payment obligations under the CCEM and the CA. Obligations covered include both periodic payments (e.g., capacity payments, CCEM instalments for the transmission line) and termination amounts. IDA would make such payment in accordance with the amortization schedule pre-agreed with commercial lenders or prepay the loan, at its option. The principal categories of risks covered by the IDA Guarantee are:

a. **Breach of Contract:** GOCI's undertakings under the Concession Agreement relating to the purchase of power and the supply of gas and the instalment payments due under the CCEM.

b. **Availability and Convertibility of Foreign Exchange:** Changes in the CFAF arrangements affecting transferability or convertibility in the event of a delinking of the CFAF from the Euro.

c. **Changes in Law:** Any change in the laws of Cote d'Ivoire, which would cause material adverse effect on the company (including judicial decisions not in suspense as a result of an appeal).

d. **Political Force Majeure Events:** These covered events within Cote d'Ivoire including nationalization and expropriation.
e. **Natural Force Majeure Events:** Events affecting the State’s obligations including the transmission system following completion. IDA’s Guarantee support is documented in a Guarantee Agreement with the lenders, which outlines the scope of IDA’s risk coverage and defines the trigger mechanics of the IDA Guarantee. In parallel, IDA has an Indemnity Agreement with GOCI, under which GOCI counter guarantees IDA for any payments made under the Guarantee Agreement. IDA’s approximate US$30 million commitment under the guarantee is recorded at 100% of its nominal value in the lending programme as IDA’s risk coverage extends to the whole loan amount, albeit for certain specified risks as outline above.

**Benefits of the Guarantee**

The benefits of the IDA Guarantee reflect the partnership with the private sector for the benefit of Governments, Project Sponsors, and Lenders. Specifically, the Azito Guarantee:

a. Helped mobilize funds for the completion of the Project.

b. Helped mobilize long term finance substantially beyond prevailing market terms for the country.

c. Catalysed co-financing of over US$200 million whilst minimizing IDA support to only $30 million (15%) of total project financing.

**Bank Group Coordination**

The IFC and IDA jointly played a key role in the financing of the Project and were able to leverage their respective institutional strengths effectively for the benefit of the client country. Both institutions collaborated very closely on this transaction in terms of project appraisal, sector issues as well as syndication strategy. This enabled the Project to achieve financial closure on an accelerated time scale to meet both the government’s and the sponsor’s aggressive schedule. This successful IDA/IFC collaboration is a follow up to the support provided to CIPREL, the first private sector power initiative of Cote d’Ivoire.

*For more information on the Azito Power Project, please contact:*

***Farida Mazhar, Senior Financial Officer, PFG***

*Tel: (202) 473-1235; Fax: (202) 477-0218 Fmazhar@worldbank.org*
Azito Power Project: Project Contractual Structure

EdFI

50%

ABB EV

50%

Azito O&M (Ivory Coast)

EPC Consortium Power

EPC Contract

Shareholders

ABB/EdF/IPS-

O&M Contract

Cinergy S.A

Senior Debt

ICF (A)

IFC (B)

Société Générale

CDC Club

Société Générale IDA Facility

IDA Guarantee

IDA

EPC Contract

Concession Agreement

Transmission System Contract

Government of Côte d’Ivoire

EPC Consortium Transmission System

50%

CDC

DEG

FMO

AFDB

ICF

CDC

DEG

IFC

CDC
Annex A5.2: Bujagali Hydropower Project (Bujagali)
IDA Partial Risk Guarantee (PRG) to promote Uganda’s first Independent Power Producer

Finance, Economics & Urban Department December 2007

Sustainable Development Network Vice Presidency

IDA provided a Partial Risk Guarantee (PRG) for Uganda, in support of the Bujagali 250MW hydropower plant project. The project is being developed on an Independent Power Producer (IPP) basis, making it one of the largest private sector financed projects in the Sub-Saharan Africa so far and the first of its kind in Uganda. It is developed, built, owned, and operated by Bujagali Electricity Limited (BEL), whose sponsors are Industrial Promotion Services (Kenya) Limited and SG Bujagali Holdings Ltd, an affiliate of Sithe Global Power, LLC (USA). The project came at the time when Uganda was facing major power shortage, which was having a significant constraining impact on its industrial growth. The total financing requirements for the project equalled to US$ 798 million.

“The Bujagali project is a model of the kind of innovative funding solutions and partnerships that will help resolve Africa’s energy crises,” Obiageli Ezekwesili, WB Africa Region VP
Awarded the “The Africa Power Deal of the Year 2007” by Euromoney “Project Finance Magazine"

Uganda’s first large scale Independent Power Producer (IPP) project, the Bujagali Hydropower, will double power generation sources in Uganda, thus reducing significantly the severe power shortage prevailing in the country, and fostering economic growth and wellbeing of its citizens. Supported by the World Bank Group (WBG) and other multilaterals, the project reached financial close in December 2007.
The Project
The Bujagali hydro project consists of 250MW run of the river power plant with a reservoir for daily storage, an intake powerhouse complex, and a rock filled dam with a maximum height of about 30 meters, together with spillway and other associated works. It is being constructed on the Nile River, approximately 8 kilometres north of the existing Nalubaale and Kiira power plants. The project will sell electricity to Uganda Electricity Transmission Company Limited (UETCL) under a 30-year PPA, which was signed on December 13, 2005. The powerhouse will be constructed to house 5x50MW Kaplan turbines. The small reservoir will have an estimated surface area of 388 hectares, extending back to the tailrace areas of the Nalubaale and Kiira dam complex. The proposed project will require 238 hectares of land take for the project facilities, of which only 80 hectares would be for new inundated areas adjacent to the Nile River. The land take includes 113 hectares required for temporary and ancillary facilities including temporary haul roads, coffer dams, storage and quarries. Evacuation of electricity from the proposed project will require the construction of about 100 kilometres of transmission line, as well as the construction of a substation at Kawanda, and the extension of the Mutundwe substation.

Project Background
Uganda’s main source of power is from the Nalubaale and Kiira 380 MW’ dam complex, located at the mouth of Lake Victoria. However, electricity output from this dam complex has declined gradually from around 270MW in 2002 to 120MW on September 2006 in order to comply with the agreed curve i.e. the water discharge regime agreed by all Nile tributary counties. In comparison, in 2006 – 2007 estimated peak demand was about 350 - 380MW and about 290 MW at base load, thus resulting in persistent and acute power shortages which were impacting economic growth. To alleviate the shortage of power, the Government has procured a 150MW of short-term thermal power plants.

After unsuccessful attempts to develop the project in the late 90s, the Government of Uganda initiated a new bidding process, with the support of the World Bank, seeking a new project sponsor to develop the Bujagali project. The tender process benefited from a significantly improved sector environment compared to the previous attempt. This included: (a) a reformed power sector structure, in which an independent electricity regulator has been established, and generation and distribution have been unbundled and concessioned to the private sector; (b) increased demand for electricity in the face of declining generation output; (c) an improved sector financial structure, which is now under stress because of the current power sector crisis that has required expensive thermal power generation and has led to significant tariff increases; and (d) improved governance standards.

The current sponsors have been selected following a transparent, international competitive bidding process. In turn, the sponsors selected the Equipment, Procurement, Construction (EPC) contractor on a competitive bidding basis and required the contractors to sign up to a Code of Conduct.

Uganda Power Sector
With the new Electricity Act passed by the Parliament in 1999, the electricity sector in Uganda went through unbundling of the generation, transmission, and distribution. A separate company was established for each of them. Generation and distribution were offered for a 20 year concession, and awarded to Eskom Uganda Ltd and Umeme Ltd respectively. In addition an independent Electricity Regulatory Authority (ERA) was established.

The Bujagali project will support Uganda’s efforts to meet its electricity demand with least-cost power generation as compared to other energy options. Once commissioned in 2011, the project will also relieve residual power shortages and substantially reduce the need for more expensive emergency thermal power. This will help contain potential rises in electricity tariffs and allow industrial and commercial users to reduce costs and increase productivity, boosting economic growth.
Project Cost and Financing Structure

The total financing requirement for the project is US$798 million, of which US$ 627 million is financed with debt, and US$ 171 million financed by equity. The debt equity ratio is around 78:22.

The debt facility consists of a commercial loan of US$115 million, from the Standard Chartered and Absa banks, covered by the World Bank PRG. The rest of the financing came from other multilaterals, such as IFC who committed US$130m in loans, the European Investment Bank lend US$140 million, and the AfDB US$110m. European DFIs financing consists of French development agency Proparco, with a US$73m loan, DEG/KfW of Germany with US$45m, and Dutch financier FMO with US$73m. All senior loans have a 16 year door-to-door maturity. This is summarized in the Table below.

### Financing Plan $ million

<table>
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<tr>
<th>Debt</th>
<th>260</th>
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<td>IFC</td>
<td>130</td>
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<td>EIB</td>
<td>130</td>
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<tr>
<td>Commercial Banks</td>
<td>367</td>
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<td>(under PRG)</td>
<td>115</td>
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<td>AfDB</td>
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<td>European DFIs</td>
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<td>Total Debt</td>
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</table>

<table>
<thead>
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<th>Equity</th>
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<td>Project Sponsors</td>
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<tr>
<td>Government</td>
<td>20</td>
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<tr>
<td>Total Equity</td>
<td>171</td>
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<tr>
<td>TOTAL SOURCES</td>
<td>798</td>
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</table>

The Multilateral Investment Guarantee Agency (MIGA) provided an equity investment guarantee of up to US$115m for a 20 year period.

Benefits of the Guarantee

- The IDA guarantee reduced the perceived risk in the project to such an extent as to allow commercial debt to be mobilized.
- The IDA guarantee improved the terms of the commercial bank loan to the project company BEL, by enabling access to long term financing at lower cost, thus allowing such reduction to be factored in the PPA tariff, therefore reducing the cost to end users via lower tariff.
- It created new benchmark for private sector investment in Sub-Saharan Africa power generation.
- It catalysed co-financing of over US$750 million, by combining commercial debt over and above DFIs financing. IDA support was only US$115 million, or about 18% of the total debt financing.

Contractual Framework

Key project agreements with Uganda counter-parties are as follows:

- **Implementation Agreement (IA)** between BEL and Government of Uganda/UETCL. The IA sets out the terms on which the Government grants to BEL the concession to design, finance, construct, own, operate, and maintain the project.
- **Power Purchase Agreement (PPA)** between BEL and Government of Uganda/UETCL. The PPA sets the terms for the production related to and sale of the electricity for the project contracted capacity. Under the PPA, BEL agrees to sell all of its production exclusively to UETCL and UETCL agrees to purchase the project’s contracted capacity.
• **Government Guarantee** between BEL and Government of Uganda/ [UETCL]. Whereas, the Government agrees to: (a) guarantee UETCL’s payment obligations under the PPA to BEL; and (b) indemnify BEL for any loss incurred as a result of UETCL’s obligations under the PPA becoming void, unenforceable or ineffective.

• **Engineering, Procurement and Construction (EPC) Contract** between BEL and Salini SPA. The proposed project will be built pursuant to a fixed price, date certain, turnkey EPC Contract. The EPC contractor, Salini SPA (Italy) (with Alstom Power Hydraulique (France) as a key subcontractor) was selected pursuant to a competitive EPC selection process in accordance with the EIB procurement rules.

• **Operation and Maintenance (O&M) Agreement.** The operation and maintenance of the power plant will be conducted by a Sithe Global affiliated company, incorporated in Uganda.

• **Direct Agreements.** As usual in PPP projects, the lenders entered into direct agreements, amongst other, with the parties’ signatory to the PPA, IA, and Government Guarantee. The Government Direct Agreement includes customary clauses, including Government’s acknowledgements of the security interests created in the project for the benefit of the lenders and the step-in rights of the lenders in the project.

**IDA Partial Risk Guarantee (PRG)**

The IDA PRG guarantees commercial lenders against debt service payment defaults resulting from the Government’s failure to meet its payment obligations as stipulated under the IA and the Government Guarantee. The proposed IDA PRG is non-acceleratable; therefore, principal and interest on the IDA Guaranteed Facility between the commercial banks and BEL would be covered by IDA only as they become due.

The IDA PRG covers the risk of debt service default for the covered lenders arising from the following categories of events:

• Political force majeure events;

• Changes in law and events making the project contractual agreements unenforceable or void, or making the performance of BEL or its EPC contractor (and related parties, such as subcontractors) unlawful;

• Government imposed restrictions on the ability of BEL to be paid or to receive foreign currency or transfer funds abroad; and

• Failure by the Government to fulfil its payment obligations relating to UETCL’s purchase of power and termination payments due by UETCL.

The provision of the PRG was instrumental in catalysing long term commercial debt in Uganda, and reduced risk for commercial debt without increasing government liability to an extent that commercial debt could match DFIs maturities.

The PRG Agreements consist of:

• **the Guarantee Agreement**, entered into between IDA and the commercial lenders to BEL, which defines the scope of IDA’s risk coverage and the trigger mechanics of the guarantee;

• **the Indemnity Agreement**, entered into between IDA and the Government of Uganda, under which the state counter guarantees IDA for any payments made under the Guarantee Agreement, and

• **the Project Agreement**, entered into between IDA and BEL, under which the company covenants that it complies with World Bank environmental guidelines and other applicable requirements.
Lead Financial Officers for this operation: Mr Suman Babbar (Sbabbar@worldbank.org) and Mr Raymond Bourdeaux (Tel: (202) 458-955; Rbourdeaux@worldbank).

For more information on the World Bank Guarantee programme please visit our web site www.worldbank.org/guarantees or contact:

Upali Perera at (202) 458-2801, by email at uperera@worldbank.org or Chalida Chararnsuk at (202) 458-8111, by email cchararnsuk@worldbank.org.

Bujagali Hydropower Project: IDA Partial Risk Guarantee: Contractual Structure
Annex A5.3: Project Finance in a Nutshell

According to the International Project Finance Association (IPFA), project finance is defined as “... the financing of long term infrastructure, industrial projects and public services based on a non-recourse or limited recourse financial structure where project debt and equity used to finance the project are paid back from the cash flow generated by the project”. Thus, the project has to be able to repay the debt contracted and remunerate capital invested at a rate consistent with the degree of risk inherent in the venture concerned. The future revenues from the project effectively serve as a sort of a guarantee on the finance.

Since the repayment of the financing depends on the internally generated cash flows from the project, the project itself – rather than the project’s sponsors – has to be the borrower. To accomplish this, the project has to be structured as a “specific/special purpose vehicle/entity (SPV or SPE). The idea behind SPV is to ensure that fund providers to a project get both return on, and return of, their funds by “ring-fencing” the cash-flows of the project in which such funds have been committed. The purpose is to ensure that the cash-flows are primarily used to run the project and service the fund providers before they are available for other purposes. SPV also ensures that the project is run professionally and independent of direct influence of any of the fund providers. SPV can have a finite (limited) life or an infinite (unlimited) life.

The number and types of participants differ from one project to another depending on the complexity and the nature of the project. For a public project, the key participants include the sponsors (industrial, public, contractor and pure financial), the host government, financial institutions (including multilateral and bilateral agencies, regional development banks, and commercial banks e.t.c.), contractors and builders, and infrastructure operators and off-take purchasers. In addition, there are participants such as accountants and lawyers who play advisory role especially in structuring a deal.

As a public sponsor whose aims are on social welfare, it is common practice for the government not to directly involve itself in the project company (SPV). Rather it works through a government department, an agency or a statutory corporation. Such government unit thus acts as a “contracting authority”.

Feedstock provider(s) and/or off-taker are typically involved in utility, industrial, oil and gas as well as petrochemical projects. While feedstock providers are contractually obligated to provide inputs (“feedstock”) – such as raw material or fuel – to the project in return for payment, off-takers are contractually obligated to “off-take” (purchase) some or all of the product or service produced by the project. Contracting feedstock providers and off-takers works to improve stability of the project’s cash-flows.

In order of seniority – from the most risky to the least risky – and reverse priority in receiving dividends and funds in the event of liquidation – from the lowest priority to the highest, in sources of project finance are:

(i) **Common equity** issued to project sponsors and represents ownership of the project;

(ii) **Preferred equity** which also represents ownership and has a priority over the common equity holders in dividends and liquidation;

(iii) **Convertible debt** that is a subordinate liability (pseudo-equity) convertible to equity under certain conditions, usually at the option of the holder;

(iv) **Unsecured debt** that is not secured by specific assets;

(v) **Secured debt** on specific assets or sources of revenues;

(vi) **Lease financing** whose hallmark feature is the lessor retaining the rights to the leased assets;

(vii) **Term loans** from banks and other financial institutions;

(viii) **Construction financing** used for construction purposes and usually replaced by longer-term securities when the construction is completed;

(ix) **Bridging finance** – a “temporary” financing used for a range of purposes, usually during inception, pending availability of longer-term funding;

(x) **Line of credit** typically used as a cash management tool with funds being obtained, usually from banks, and repaid on a regular basis.
## Annex A5.4: Reporting Format

<table>
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<th>Current fiscal year (Year 1) - Approved</th>
<th>Next fiscal year (Year 2) - Requested</th>
<th>Due amount</th>
<th>Targeted due amounts</th>
<th>Requested due amounts</th>
<th>Over-requested Due amount</th>
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</thead>
<tbody>
<tr>
<td>Project cost</td>
<td>Amount paid before Year 0</td>
<td>Amount paid in Year 0</td>
<td>Due amount</td>
<td>Annual budget</td>
<td>Payment duration</td>
</tr>
</tbody>
</table>

- On-going PIP project
- New PIP's Funds
- Debt project's fund
- ODA Counterpart Funds
Annex B1: Terms of Reference for the Development of the Public Investment Management Operational Manual (PIM_OM)

**Background**

The management of public investments in Tanzania has, over time, been located in different institutions i.e. Ministry of Finance (MoF), President’s Office, Planning Commission (POPC), Prime Minister’s Office (PMO) and government Ministries, independent Departments and Agencies (MDAs) and Local Government Authorities (LGAs). The lack of a central mechanism to guide the translation of plans into strategic, prioritized public investments implies that the public funds are not allocated efficiently. Yet proper economic and financial analyses of development projects are critical for objective project selection and prioritization and for ensuring value-for-money of public funds. It has also become difficult to develop a system of collecting and storing information about the current and potential investment projects.

As a result, there has not been a common standard approach to preparing and presenting development project/programme proposals for inclusion in the development budget. Capacity in preparing project documents is also weak amongst many departments of government, mainly at the directorates of planning/policy. This became evident, for instance, during the analysis of the submissions of the MDAs and LGAs of the action plans and cash flows for their 2012/13 development budgets as per the directives of the authorities. This problem partly explains delayed disbursements particularly in cases where proper action plans/cash flows, progress reports and project documents, are weak.

The Public Expenditure Review of 2010 (PER 2010) identifies a critical need for a coordinated institutional framework for public investment programming to allow a more efficient way of assessing, prioritising and implementing all public investments. The coordinated framework should have as one of its pillars a common approach to developing proper, fundable and bankable proposals of development projects and programmes for financing through the budget and through other sources such as local and foreign financial institutions, including private investors.

POPC is expected to play a pivotal role in strategic prioritization and coordination of development projects/programmes. POPC therefore seeks to lead the task of addressing the capacity gap problem by championing the preparation of the Public Investment Management Operational Manual (PIM_OM) as a first step to be followed by a medium-term capacity development strategy; it is primarily dedicated to POPC, MDAs and LGAs in public investment analysis and management. The Operational Manual should serve both as an instrument around which government officials and other users converge, presuming also that the envisaged coordinated institutional framework for public investment management would have the Operational Manual as one of the key pillars.

**Purpose**

This “Terms of Reference” is dedicated to the development of the Public Investment Management Operational Manual. The manual aims at ensuring that the implementation of economic and financial analyses of public investment projects is mainstreamed amongst the MDAs and LGAs.

The manual will guide government officials in MDAs, regional secretariats and LGAs who prepare development projects/programme proposals for inclusion in the budget. It will include procedures and regulations and methods/tools of economic, financial, social and environmental analyses of public investment projects. It will also develop a framework to assess risk and develop mitigating measures as part of investment design. Further, the material will provide reference for potential Public-Private Partnership (PPP)-based investment interests and Development Partners in the entire context of public expenditure management. The PIM-OM serves also as PRSC-11 trigger and PAF13).
Objectives and Scope

The objective of the PIM_OM 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.

Specific objectives of developing the manual can be stated as follows:

(i) To serve as a common point of reference for the coordination of all public investments, using transparent procedures under existing laws and regulations;

(ii) To elaborate on the laid-out procedures for inclusion of public investment projects/programmes in the development budget at central or local government levels (e.g. in relation to Budget Guidelines, budget cycle timing, consistence etc.)

(iii) To enhance the capacity of government officials in the knowledge and practical application of proper technical methods (tools) of economic and financial analyses for public investments;

(iv) To provide guidance on the links between public investment and the Public-Private Partnerships (PPPs).

The consultancy will also develop a plan for operationalizing the public investment management operational manual.

The targeted users are planners expected to have graduated in economics, finance, management, statistics, or planning in sector specialisation such as in health, education, water, transport etc. and are therefore able to comprehend and apply related technical instructions.

Deliverables and Reporting

An operational manual is developed for use by technical staff in government and is disseminated.

Proposed Content/Outline

Below is a suggested outline for the Public Investment Management Operational Manual document. This should be used as a guide only and not seen as prescriptive. However, the consultant will bear in mind the importance of having common features of project document and minimum economic, financial, etc. analyses that are “binding”, making it easy for management, but sufficiently flexible to allow planners to handle sector-specific peculiarities depending on, for example, the nature of inputs, outputs, pricing, quality and quantity attributes etc. We expect the consultants to be innovative around this framework.

I. Introduction (definitions)

Concepts/definitions (public projects, project cycle/management): Possible items to be covered include:

(i) Definition of public investment project and programme

(ii) Classification of public investment programmes (by size or amount of money going into the project/programme? Or any other criterion if specified (say by law?)

(iii) 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

(iv) National development plans/strategies and public investment projects/programmes) as components; to underscore the relevance or priority-status given by policy;
(v) Project cycle: (planning, implementation, completion, operation and management (O&M))

(vi) Processing of a project for selection: collection of information, rationale for intervention (e.g. what is the market failure), assessment of possible options (using agreed criteria), followed by comparative rating, final decision made (project selected).

II. Project Planning and Management and Evaluation

(What is does it mean? What is involved? With case studies as demonstration; sector-specific situations)

(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 government 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).

III. Project Evaluation

M&E: periodic technical evaluation and reports - as required (quarterly, semi-, annual) by regulations (government, financiers)

Lesson-learning and feeding this into the design of new projects

IV. Technical Approaches to Public Investment Analysis

Steps involved in Cost-Benefit Analysis (principles, identifying and valuing costs and benefits, Net Present Value (NPV), benefit/cost ratio, Internal Rate of Return (IRR), analysis of risk; financial appraisals; and measures like cost-effectiveness, value for money assessment and multi-criteria analysis.

- This is probably the most technical of all sections/chapters. It requires knowledge of quantitative methods and the intuition behind the methods. Simple presentations need to be made to ensure that users can easily comprehend and apply the minimum essentials.

N.B. The tools/techniques in economic and financial analyses should be pursued at higher levels for those who later will be trainers (selected from POPC and central ministries).

V. 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.

VI. Reporting formats

How to capture (what) key information for new, on-going and completed projects; information also to be available for analyses of impacts and M&E and project data base.

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

VIII. Project database - explain 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).
Annex C: Project Data Bank Reporting Formats
Format C.8.1: Project Assessment Sheet for Feasibility Study

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<th>Category</th>
<th>Questions</th>
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<td>Economic Relevance</td>
<td>Is the necessary information (cost, benefit, and investment criteria) reliable and adequately used the proper method (discount rate, present value)?</td>
<td></td>
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<tr>
<td></td>
<td>Is project’s NPV&gt;0(B/C over 1 or IRR&gt;r)?</td>
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<tr>
<td><strong>2 Feasibility of Effectiveness for Project</strong></td>
<td></td>
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<tr>
<td>Project Purpose and Outputs</td>
<td>Are the outputs adequately set up to realize the project purpose?</td>
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<tr>
<td><strong>3 Feasibility of Efficiency for Project</strong></td>
<td></td>
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</tr>
<tr>
<td>Cost</td>
<td>Is the cost estimation of the project appropriate and reliable?</td>
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</tr>
<tr>
<td>Schedule</td>
<td>Is the schedule of the activities reasonable?</td>
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<tr>
<td>Quality of Works</td>
<td>Are the workforce/materials/equipment/technology required for the works enough to realize the project outputs?</td>
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<td><strong>4 Impact of Project</strong></td>
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<tr>
<td>Social and Environmental negative impact</td>
<td>Would the social and environmental negative impact be serious or not?</td>
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<tr>
<td>Action taken for social and environmental issues</td>
<td>Are there countermeasures or alternatives to resolve negative social and environment issues?</td>
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<td><strong>5 Sustainability of Project</strong></td>
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<tr>
<td>Financial sustainability</td>
<td>Is there any operations and maintenance plan clearly stating its plan for financial sustainability?</td>
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<tr>
<td>Technical sustainability</td>
<td>Is there any operations and maintenance plan clearly stating its plan for technical and material sustainability?</td>
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<tr>
<td>Sustainability of Organization</td>
<td>Is there any operations and maintenance plan clearly stating its responsible organizations and/or groups?</td>
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<td>Total points</td>
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<tr>
<td>Rating</td>
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<tr>
<td>Recommendations</td>
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### Format C8.2: Comparative Assessment Format

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<th>Assessment Criteria (rating)</th>
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<th>Comprehensive Rating</th>
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### Format C8.3: Project Assessment Sheet for On-going Projects

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<tr>
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<td>Consistence</td>
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</tr>
<tr>
<td></td>
<td>Is the project overall goal relevant with the latest national goals, regional, and sector plans?</td>
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<tr>
<td></td>
<td>Beneficiaries</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Is the project still consistent with beneficiaries’ needs?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Effectiveness</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Current Status</td>
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<tr>
<td></td>
<td>Have the outputs been achieved as planned so far?</td>
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<tr>
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<td>Expectations</td>
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<td></td>
<td>Are the outputs of the project likely to be achieved or not?</td>
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<tr>
<td>3</td>
<td>Efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost</td>
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<tr>
<td></td>
<td>Has the total cost been changed from the initially planned cost?</td>
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<td>Schedule</td>
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<td></td>
<td>Is the construction done as scheduled in the plan?</td>
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<td></td>
<td>Quality of Works</td>
<td></td>
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<td></td>
<td>Are the workforce/materials/equipment/technology required for the works enough to realize the project Outputs?</td>
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<tr>
<td>4</td>
<td>(Negative) Impact</td>
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<tr>
<td></td>
<td>Unexpected Social and Environmental negative impact</td>
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<td>Are there any unexpected negative impacts caused through implementation of the project?</td>
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<td></td>
<td>Action Taken for Environmental and Social Issues.</td>
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<tr>
<td></td>
<td>Has an action been taken for social and environmental issues as originally planned?</td>
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<tr>
<td>5</td>
<td>Sustainability</td>
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<tr>
<td></td>
<td>Operations and Maintenance Plan</td>
<td></td>
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<tr>
<td></td>
<td>Are there any updated operations and maintenance plan?</td>
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**Total points**

**Rating**

**Recommendations to the project**
<table>
<thead>
<tr>
<th>Category</th>
<th>Questions</th>
<th>Comments</th>
<th>Points</th>
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<tbody>
<tr>
<td>1 Relevance</td>
<td>Is the project purpose set up clearly and appropriately?</td>
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<tr>
<td></td>
<td>Do the updated indicators correctly interpret the project purpose?</td>
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<td></td>
<td>Is the overall goal consistent with the project purpose?</td>
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<tr>
<td></td>
<td>Is the overall goal consistent with the current national goals,</td>
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<td></td>
<td>regional, and sector plans?</td>
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<td>Consistence</td>
<td>Are the beneficiaries identified for both the project purpose and overall goal?</td>
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<td></td>
<td>Does the project purpose still match beneficiaries’ needs?</td>
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<tr>
<td>Beneficiaries</td>
<td>Is the project site selected appropriately in strategic aspects?</td>
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<tr>
<td>Appropriateness of</td>
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<tr>
<td>project site selection</td>
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<tr>
<td>Economic Relevance</td>
<td>Is the necessary updated information (cost, benefit, and investment criteria) reliable and adequately used the proper method (discount rate, with/without, present value)?</td>
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<tr>
<td>2 Feasibility of</td>
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<tr>
<td>Effectiveness</td>
<td>Is the project NPV &gt;0(B/C over 1 or IRR &gt; r)?</td>
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<tr>
<td>Project Purpose and</td>
<td>Are the outputs adequately set up to realize the project purpose?</td>
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<tr>
<td>outputs</td>
<td></td>
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<tr>
<td>Expectations</td>
<td>Is the project likely to be accomplished based on the revised plan after suspension?</td>
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<tr>
<td>3 Feasibility of</td>
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<tr>
<td>Efficiency</td>
<td>Is the cost estimation of the project revival/adjustment work plan</td>
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<td></td>
<td>appropriate and reliable?</td>
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<tr>
<td>Cost</td>
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<td>Schedule</td>
<td>Is the schedule of the activities in the revival/adjustment work plan</td>
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<td>reasonable?</td>
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<td>Quality of Works</td>
<td>Are the workforce/materials/equipment/technology required for the works in the revival/adjustment work plan enough to realize the project outputs?</td>
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<tr>
<td>4 Impact of Project</td>
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<tr>
<td>Social and Environmental negative impact after completion</td>
<td>Would the Social and Environmental negative impact after completion be serious or not?</td>
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<tr>
<td>Social and Environmental negative impact during implementation and/or suspension</td>
<td>Are there any social and environmental negative impacts during the past implementation, or during the suspension period of the project?</td>
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<tr>
<td>5 Sustainability</td>
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<tr>
<td>Financial sustainability</td>
<td>Is there any operations and maintenance plan clearly stating its plan for financial sustainability?</td>
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<td>Technical sustainability</td>
<td>Is there any operations and maintenance plan clearly stating its plan for technical and material sustainability?</td>
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<tr>
<td>Sustainability of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization</td>
<td>Is there any operations and maintenance plan clearly stating its responsible organizations and/or groups?</td>
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<tr>
<td>Total points</td>
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<td>Rating</td>
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### Format C8.5: Simplified Project Evaluation Sheet for Completed Projects

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<td><strong>1 Relevance</strong></td>
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<tr>
<td>Consistence</td>
<td>Is the project overall goal relevant with the national goals, regional, and sector plans?</td>
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<td></td>
<td>Is the project purpose still consistent with the overall goal?</td>
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<tr>
<td>Beneficiaries</td>
<td>Does the project still match with beneficiaries' needs?</td>
<td></td>
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</tr>
<tr>
<td>Appropriateness of project site selection</td>
<td>Was the project site selected appropriately in strategic aspects?</td>
<td></td>
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</tr>
<tr>
<td><strong>2 Effectiveness</strong></td>
<td></td>
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</tr>
<tr>
<td>Project Purpose</td>
<td>Have the project purpose been achieved as planned?</td>
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</tr>
<tr>
<td>Outputs</td>
<td>Have all the outputs been completed as planned?</td>
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</tr>
<tr>
<td></td>
<td>Have all the outputs contributed to the project purpose?</td>
<td></td>
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</tr>
<tr>
<td><strong>3 Efficiency</strong></td>
<td></td>
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</tr>
<tr>
<td>Cost</td>
<td>Was the implemented cost according to plans?</td>
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<tr>
<td>Schedule</td>
<td>Was the implementation schedule the same as planned schedule?</td>
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<tr>
<td>Quality of Works</td>
<td>Were the workforce/materials/equipment/technology enough to accomplish the project Outputs?</td>
<td></td>
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<tr>
<td><strong>4 Impact of Project</strong></td>
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<tr>
<td>Social and Environmental negative impact</td>
<td>Have any unexpected social and/or environmental negative impact during implementation of the project occurred?</td>
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<td>Were adequate social and environmental actions taken during implementation of the project?</td>
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<td>Have social and/or environmental negative impact during operation been considered and avoidance/mitigation plans in existent?</td>
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<td>Positive Impact</td>
<td>Are there any plans to maintain the positive impact, especially toward the end of the project?</td>
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<td><strong>5 Sustainability of Project</strong></td>
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<td>Financial sustainability</td>
<td>Is there any operations and maintenance plan clearly stating its plan for financial sustainability?</td>
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<td>Is there any operations and maintenance plan clearly stating its plan for technical and material sustainability?</td>
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<tr>
<td>Sustainability of Organization</td>
<td>Is there any operations and maintenance plan clearly stating its responsible organizations and/or groups?</td>
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<td><strong>Total points</strong></td>
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<td>Rating</td>
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Annex D: List of Participants of the Working Session-PIM-OM, 9th May 2014

<table>
<thead>
<tr>
<th>S/N</th>
<th>Name</th>
<th>Institution</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Maizo M. Mgedi</td>
<td>RAHCO</td>
</tr>
<tr>
<td>2</td>
<td>Charles F. Ndenge</td>
<td>TRL</td>
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<tr>
<td>3</td>
<td>Robert Kitalala</td>
<td>PPRA</td>
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<tr>
<td>4</td>
<td>Msafiri Mtepa</td>
<td>EWURA</td>
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<td>5</td>
<td>Makiri Ngangaji</td>
<td>SUMATRA</td>
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<tr>
<td>6</td>
<td>Claudio Kisanko</td>
<td>TPA</td>
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<td>7</td>
<td>Neema Joseph</td>
<td>TAA</td>
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<td>Frida Mkumbo</td>
<td>TANESCO</td>
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<td>Omary Juma</td>
<td>POPC</td>
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<td>MoF</td>
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<td>James Maziku</td>
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<td>Salome Maseki</td>
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<td>Manyama Bwire Lukori</td>
<td>MIT</td>
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<td>14</td>
<td>Musiba Leonard</td>
<td>MSD</td>
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<tr>
<td>15</td>
<td>World Bank Staff*</td>
<td>Country Office-Tanzania</td>
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*Invited members who did not participate in the working session but provided written comments.