ESWATINI GUIDELINES FOR THE PREPARATION OF PUBLIC INVESTMENT PROJECTS

Ministry of Economic Planning and Development | JUNE 2024

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FOREWORD

Towards effective and efficient public investment management in the Government of the Kingdom of Eswatini

The Government of the Kingdom of Eswatini has continuously increased its expenditure on public investment from SZL2 billion Emalangeni in financial year 2007/08 to an estimated SZL6.3 billion in 2024/25. The development projects have been principally used for strengthening infrastructure development to enhance investment by the private sector and provide an enabling environment for providing public and social services at all levels and across all sectors. As the public investment programme (capital expenditure) increased over the years, technical efficiency and overall governance of processes such as planning & budgeting, transparency, controls, management and supervision have been compromised in various ends. The development of these guidelines therefore, has been necessitated by the ongoing and consistent unsatisfactory performance of most capital projects.

These guidelines seek to introduce a standardized methodology and transparent criteria for project appraisal and selection, clarify the roles and responsibilities of different stakeholders, and further provide a structured procedure for review and selection of projects. They also cover the stages of project implementation and ex- post evaluation. They are based on international best practice that have been adjusted to reflect the local context of Eswatini. They have been intentionally drafted in a "user friendly" style to ensure that they are read and utilised, instead of being put to shelf.

Capital projects are initiated by various ministries, departments and agents (l\1DAs) as part of their sectoral development programmes. The initiating l\1DAs develop the project concept with a view of meeting sectoral policy gaps and strategic objectives within its mandate. Once the concept is developed into a comprehensive project proposal, technical assistance to execute is sought from the Ministry of Public Works and Transport and the Ministry of Economic Planning and Development.

Implementation of all projects is undertaken by l\1DAs, including state owned enterprises whose projects are funded by Government. They are responsible for developing/planning, execution and reporting on their projects throughout the life- cycle of a project until they are completed. l\1DAs are the project owners and that role needs to be clearly demonstrated throughout the life cycle of a project. The Ministry of Economic Planning and Development has established and deployed Planning Officers in most ministries, who serve a support function to the Principal

Secretaries and programmes/projects managers in as far as planning, budgeting and execution of projects is concerned. Therefore, the planning cadre remains at disposal to support ministries in the process of developing and implementing projects following the guidelines presented in this guide book.

The role of MEPD is to produce the macroeconomic framework, which informs the fiscal framework and guide the budgeting processes. The Ministry supports MDAs as they develop programmes and projects and prioritize key interventions as presented in the National Development Plan in line with the macroeconomic environment. Submitted projects are reviewed to establish if they have been properly appraised for economic feasibility and for budgeting purposes. MEPD will select and rank those that have been well prepared and considered to be good projects to yield optimal benefits to the economy. Selection of a project

will not mean automatic entry to the budgeting system, but it will be enrolled into a government pipeline of projects that can be financed in future, subject to availability of resources. MEPD also has a role to produce national statistics that are crucial to inform targeting of programmes and projects to address socio-economic conditions from time to time in the country.

The role of Ministry of Finance in the public investment management (PIM) reforms process is to participate in the selection process of projects for financing, securing financing for projects based on recommendations from MEPD, ensure their affordability within the fiscal framework in the medium term, ensure payments are made on time and that they are audited upon completion. Lastly, MOF opens and close projects accounts on request by the implementing ministry.

In 2008/09 the ministry conducted an audit exercise to establish why government projects were not finishing on time and within cost and also meet the intended development objectives. The findings and recommendations of the audit were presented in Chapter 4 & 5 of the ARUP report and they remain relevant to this day for implementation. In 2019 during the annual spring meetings for the World Bank Group (WBG) and International Monetary Fund (IMF), Government requested from both institutions technical support to strengthen institutional capacity to improve public investment management in the Government of the Kingdom of Eswatini.

In 2019 the IMF and WBG commissioned a mission that conducted an assessment on how projects are managed throughout their life cycle. Fifteen (15) institutions were assessed according to the public investment management (PIM) framework that IMF has developed. The key findings and recommendations of the assessment were presented in the PIMA report of July 2019 and adopted by Cabinet in May 2021. In March to April 2024 the IMF Afritac South delivered a remote technical mission to support Government of Eswatini to develop public investment management (PIM) guidelines. They worked closely with the Ministry (MEPD) and in addition the team also met officials from selected Ministries that are significant in PIM in Eswatini.

It is worth bearing in mind that changes to PIM systems are evolutionary, rather than overnight successes, and there needs to be a consistent and determined approach over a number of years to implement the necessary changes. The adoption of these guidelines should thus be seen as a major starting point. More changes shall be gradually introduced from time to time some of which will come with implementation of the Integrated Financial Management System (IFMIS) in order to align capital expenditure to key performance actions to achieve the desired national development objectives and tracking them through the PIM system. Some changes will be submitted to cabinet for approval, for instance, re-arrangement of institutions in an attempt to gain efficiencies in the management and execution of projects. The guidelines outline all the steps to be followed from the beginning to the end of a project.

There are templates annexed in the document to cover the following stages of the **PIM** cycle:

1. **Project Concept Note (PCN)** - this represents the entry point to the PIM system. It is a pre-screening, or qualification step. A project idea cannot proceed in the system unless it passes all the quality checks. It applies to all types, sizes and funding sources of projects.

2. **Feasibility Study structure and Review Template** - this template contains the structure of how 'large projects' should organize their feasibility studies. Large projects are now defined as being those with a capital expenditure of more than SZL 200m. The independent review of feasibility studies is widely recognized as a key instrument in intercepting issues and errors in project proposals, so that they can be corrected before they are approved.

3. **Prioritization and Ranking Template** - a tool that allows quality assured new project proposals to be entered into a Multi-Criteria Analysis (MCA) procedure based on pre-set criteria and weights, which then ranks the projects in their order of merit.

4. **Readiness Checklist** - in order to ensure that funds allocated to a project are actually going to be spent as planned, it ,is important to check that the project is ready. This checklist acts as a last check to ensure that the money can be spent within the timeframe.

5. **Implementation Reporting Template** - the monitoring of physical and financial data from the implementation of a project is an important control mechanism. This template provides a consistent format for the reporting of that data. It also provides an 'early warning' for projects that are not performing as they should, so that corrective action can be taken.

6. **Completion Report** - finally, completed projects need to be 'signed off. However, this is not the only reason why a completion report is necessary. The template provides the opportunity to report on the good, and not so good aspects of the project's implementation and what could be done better next time. This should provide an excellent source of learning, if done right, and ensure that mistakes are not repeated over time.

7. **Ex-post Evaluation** - Completed projects need to be evaluated/ assessed at operational stage after three to five years on average to ascertain the following: effectiveness and efficiency in line with intended objectives, relevance and also ability to sustain operations.

In conclusion, all MDAs are requested to comply with the guidelines once approved by Cabinet and no project shall be admitted to the pipeline or considered for budgeting if it has not performed due diligence to the PIM guidelines. The Ministry will continue to support Ministries through the different stages of preparing, implementing and mobilizing resources from international development partners (DPs) to build capacities in terms of skills and strengthening institutions to deliver effectively, quality projects going forward. The Ministry will also endeavour to collaborate with Ministry of Finance to secure funding for capacity building across government and also financing projects and also to ensure that the Public Finance management Act,2017 is observed throughout the processes of public investment management.

Minister for Economic Planning and Development.

ABBREVIATIONS

ACMS Aid Coordination and Management Section

CAPEX Capital Expenditure

CEA Cost Effectiveness Analysis

CBA Cost Benefit Analysis

EIA Environmental Impact Assessment

EPC Engineering, Procurement and Construction Contract

FS Feasibility Studies

IPC Interim Payment Certificate

MCA Multi Criteria Appraisal

MEPD Ministry of Economic Planning and Development

PCN Project Concept Note

PFM Public Financial Management

PIM Public Investment Management

PIP Public Investment Projects

PPP Public Private Partnership

PSIP Public Sector Investment Program

NDP National Development Plan

NDS National Development Strategy

TERMINOLOGY AND PHRASES USED IN THESE GUIDELINES

Term or Phrase	Meaning
Appraisal	The entire process of developing and checking all aspects of a project proposal to see if it is viable – often included in a feasibility study.
Capital Expenditure	Expenditure to acquire fixed assets including public investment projects
Climate Change Considerations	The assessment of the impact(s) of the project on the climate and the impact of the climate on the project
Completion Report	A report signing off the project which also seeks lessons learned See Template 6
Development Partners	Multi-lateral or bi-lateral contributors to the public investment activities -either in the form of technical assistance, grants and / or loans
Environmental Impact Assessment	The study of all consequences for the environment if the project is implemented. This study should include climate change considerations
Feasibility Study (FS)	The entire study of all aspects of the project to assess its viability, including (among other aspects) demand issues, financial and economic and risk assessment; and technical aspects of the project. Refer to Template 2
Implementation Reporting	A template for reporting key information about the project under implementation See Template 5
Large Projects	Projects with a capital cost of more than E200m
Multi-Criteria Analysis (MCA)	A desk based exercise that determines the relative merits of different options using pre-agreed criteria
New Projects	Projects that are admitted for financing in a fiscal year for the first time
Ongoing Project	A project that has already been given approval for funding and has started its implementation
Public Investment Management	The entire framework for preparing, appraising, selecting, implementing, reporting and evaluation of public investment projects
Public Investment Project	A set of activities concerning a single purpose or objective aimed to resolve a problem or an existing policy issue and / or generate benefits for the state, region and their citizens.

Public Private Partnership (PPP)	A public investment project that is financed and managed by a private company.
Pre-Screening	A shortened version of 'Preliminary Screening'. An initial check to see whether a project proposal qualifies for further consideration. It is the starting point for all project ideas.
Prioritization	An exercise carried out by MEPD when there are more projects seeking funds than the available funds for a fiscal year – Using Template 3
Project Concept Note (PCN)	Template 1 - used for the pre-screening of project ideas
Project Owner	The public entity that prepares, implements (even when assisted by either Ministry of Public Works & Transport, Micro-Projects Department or Millenium Project Unit) a public investment project
Project Proposer	The same as the Project Owner but only before a proposal has been positively pre-screened
Project Proposals	Projects that have been positively pre-screened, are in preparation but have not yet been approved for financing
Ranking	The output from a Multi-Criteria Analysis (MCA) – a list of the qualified projects with the most attractive at the top and the least attractive at the bottom
Readiness Checklist	A checklist that assesses whether an approved project is ready for implementation or not. See Template 4
Selection Criteria	A list of the desirable aspects of projects when entered into the Prioritization exercise
Small Projects	Projects with a capital cost of less than E200m
Viable Project	A project that has passed all quality checks required in these guidelines.
Weighting	Since some selection criteria are more important than others, 'weights' are assigned to ascribe the relative importance of each one.

1. PURPOSE OF THE GUIDELINES

Eswatini aims to strengthen and improve the framework for preparing and implementing public investment projects; this framework is known as Public Investment Management (PIM).

This involves a determined approach over the next few years that aims to continually improve the methodology used to prepare and assess public investment projects through all aspects and stages of the project cycle - from long-term planning through project identification and preparation, quality control procedures, implementation, monitoring and the evaluation of the results.

The ultimate goal is to make Eswatini's PIM system on a par with other peer nations in the region and internationally.

Currently officers engaged in PIM are guided by the Draft Planning Officers' Manual: Chapters 11-16, which is already more than 30 years old. Since it was written, many improved practices have been developed globally that have demonstrably improved the outcomes for projects. These guidelines are based on international good practices and are meant for use by all the stakeholders engaged with PIM in Eswatini.

Inevitably this will mean making changes to the way in which project proposals are presented to the Ministry of Economic Planning and Development (MEPD) and also in the way that those proposals are assessed. The body of the Guidelines contains a series of advice and rules-based processes that should be followed for all public investment projects.

The Annexes contain the new mandatory templates to be used at various stages of the process, as explained further in the body of the text.

The aim of these Guidelines therefore is to ensure that all the changes are understood and that it assists officials responsible for preparing projects, to fulfill their revised responsibilities as well as providing rules for those whose responsibility is to check and assess proposals.

Since many projects involve the use of external consultants, it is important that they are also fully informed of the new requirements and what is now expected of them. In this respect, the Guidelines should be shared with them to facilitate a smooth transition to the new requirements.

These Guidelines aim to explain the concepts and practices now required, in a non-technical manner, in order to facilitate understanding and to avoid appearing too intimidating to the reader. Over time, the Guidelines will be supported by other awareness and training activities to ensure the best possible implementation.

The practices and techniques in the Guidelines represent current good international practice. It is anticipated that if they are fully implemented, there should be a notable difference in the results and outcomes for public investment projects in Eswatini.

2. SCOPE AND COVERAGE OF THE GUIDELINES

These Guidelines provide rules and advice on all stages of the project cycle from initial project ideas all the way through to the point where the project has been completed and an ex-post assessment of its achievements has been carried out. This provides a 'one-stop shop' for all aspects of the project cycle.

The Guidelines apply to all types of projects that are considered to be Public Investment Projects (PIPs) regardless of the type of funding or the form of implementation. Specifically the Guidelines apply to all PIPs that seek national budget financing, SOEs included.

WHY IS THIS?

SURELY WE SHOULD ACCEPT LOANS AND GRANTS WITHOUT QUESTIONS

Above all else, offers of additional funds should be in the best interest of the country rather than the lender. Most of these offers relate to capital funding only. This is extremely valuable – but it is not the full picture. Once a project has been completed it will likely require long-term budget allocations for running costs; loans have to be paid off with interest etc. This means that there will be consequences for future budgets. It is wise therefore to ensure that the project is a priority; is well conceived based on the needs and priorities of the country, and the relevant sector; and is sustainable in the long-run.

Additionally, some types of procurement methodologies, such as PPPs can commit the government to direct payments from the budget, as well as numerous guarantees that create fiscal risks for the country. That's why the checks described in these Guidelines need to be made and apply to all PIPs[1].

3. INTRODUCTION TO PIM

Most governments share common objectives to promote the social and economic development of their country. Most also share the same problem – there are limited resources to help them do that. The most common limit to resources is financial, but there are limitations in terms of technical capacity too. Therefore, to make the best of what is available, it is important for the government to be able to identify and deliver 'good' projects whilst at the same time

[1] However please refer to the section on 'Capital Expenditure versus Public Investment Projects'.

developing the expertise to identify and avoid 'bad' projects becoming a drain on national resources.

The main way to improve the quality of public investment projects is to improve the PIM system. This includes the institutions, processes and procedures used to guide public investment projects through all the stages of their life cycle – from the initial ideas to the final ex-post evaluation of what was achieved by the finalized project. International experience shows that implementing reforms to PIM can significantly improve the efficiency of public investment, which in turn increases the outputs and quality of infrastructure and public services.

An effective PIM System:

- ensures that resources are allocated to the government's highest priorities
- reduces cost over-runs
- reduces the time taken from identifying the need to delivering results
- ensures better project outcomes
- reduces the incidence of dormant or stalled projects
- avoids 'white elephant' projects
- produces a greater number of effective projects
- reduces fiscal risk for the government
- attracts inter-governmental and private investment into public infrastructure

Many PIM functions are mutually interdependent, so that an improvement in one function may rely on improvements in other functions to be effective. As an example, there can be a pay-off in terms of efficiency from improving project appraisal, but the pay-off may be much greater if this is combined with changes to procedures for selecting projects which ensure that only those projects that are appraised according to the improved methodology are eligible for financing. Similarly, improvements in implementation techniques may amount to very little if quality improvements in the preparation of projects have not been implemented.

Not all projects involve building something new. There are a number of different classifications of projects, and these include:

- **New-build:** Projects that are going to provide a service or facility that does not currently exist.
- **Rehabilitation:** Projects that are necessary to prevent increasing deterioration of existing assets or to return a facility to its original condition.
- **Replacement:** Projects that replace worn out assets. For example, these projects may include replacement of power lines, decaying schools or a damaged section of road.
- **Mandated:** Projects that are required because of laws passed by the government or through international treaty. For example, projects that are required to alleviate environmental hazards or to reduce risks to public health and safety.
- **Expansion:** Projects that expand service coverage. An example would be the expansion of a water system into an area that presently does not have piped service.
- **Efficiency:** Projects aimed at making service delivery more efficient using technological improvements or other means. Generally, these projects should increase revenues,

reduce running costs or be accomplished without requiring additional operational resources such as manpower or annual funding.

The Public Investment Planning Process in Eswatini follows an annual cycle, based on the budget calendar. However, it must be recognized that planning for big project requires more time to prepare which may take more than one or two budget cycles. A simplified version of the process is as follows:

- **The Ministry of Finance issues a budget call circular.** This circular is a call for ministries to submit their budgets for the next financial year. It outlines resource envelopes, policies, and guidelines to be followed by each ministry.

- **Timetable for Budget Requests:** Shortly thereafter, a timetable is issued for ministries to table their budget requests to the Planning and Budgeting Committee (PBC). The PBC is made up of ministers and staff from the Ministry of Finance, Ministry of Public Service and MEPD. The PBC is responsible for determining what is presented to cabinet ministers for inclusion in the national budget.

- **Planning Circular by MEPD:** The MEPD issues its own planning circular, which is based on the Ministry of Finance's budget call circular as well as the performance of ongoing projects. This circular outlines the priorities, guidelines, and policies for capital budget requests. It provides guidance on the availability or non-availability of funding for new projects. Priority is given to ongoing capital projects based on their performance and alignment with the National Development Plan and also new projects aligned to external financial support (loans and grant funding).

- **Submission to the Planning and Budgeting Committee (PBC):** Each ministry submits their budget requests to the PBC for inclusion in the Public Sector Investment Program. Within each line ministry, an Economist is responsible for determining which public investment project proposals should be submitted to the PBC. Economists work together with staff of the Sectoral Unit at the MEPD, who provide guidance and support to line ministries to assist them with preparation of projects and their proposed capital investment project submissions.

- **Consolidation of the Capital Budget:** Following discussion by the PBC, the MEPD consolidates the capital budget submissions, guided by the Minister, Principal Secretary, and Chief Economist. At this stage, some projects are removed from the Public Sector Investment Program, in accordance with budget ceilings, the process of prioritization, and considering national development priorities. This is repeated as the PBC meets regularly.

- **Preliminary Budget Presentation:** The preliminary budget (both capital and recurrent) is presented to all cabinet ministers during their annual retreat and later at cabinet office for preliminary approval. The budget is then presented to parliament for approval through the Appropriation Bill.

- **Budget and Project Execution:** The approved budget is uploaded to the system at the beginning of the new financial year. Capital investment projects included in the Appropriation Bill can then commence.

4. FINANCIAL THRESHOLDS FOR APPRAISAL

Large Projects need more preparation and quality checking than small projects. This is simply because the risks and cost consequences of them failing are much higher. Governments everywhere engage in more detailed checks on large or very large projects in order to ensure that higher risk projects are carefully planned, checked and considered for long-term sustainability.

On the other hand, small projects do not necessarily need the same high level of scrutiny because the risks and consequences of failure are usually smaller.

Eswatini adopts the principle of: ***'The level of appraisal should be proportionate to the size of the project'.*** This is in common with many other countries.

"Small projects" have estimated capital costs (for the completed project) of **less than E200m** [approximately USD10m]

"Large Projects" have estimated capital costs (for the completed project) of **E200m or more**.

Financial thresholds also guide the amount of documentation required to make the necessary studies together with its independent assessment. The way these thresholds impact the amount of documentation required is shown below.

Documentation Checklist

Document or Template	Small Projects	Large Projects
Project Concept Note	✓	✓
Design Estimations	✓	✓
Feasibility Study (FS)	×	✓
Template for the Summary and Review of Feasibility Studies	×	✓
Readiness Checklist	✓	✓
Completion Report	✓	✓
Reporting Template	✓	✓
Ex-post Evaluation	×	✓

Special Rules concerning these Thresholds

1. **Possible need for a Pre-Feasibility Study:**
   There may be rare cases when a project idea is either very risky (perhaps because it has never been tried before, may have adverse climate or environmental risks, or it involves a new technology); or it is very large in scale and has national significance.

   In these cases, the MEPD reserves the right to request a pre-feasibility study which would examine specific key risks depending on the type of project. The purpose of doing this is

to see whether the specific challenges could be overcome at reasonable cost; and to check whether a full feasibility study would be worthwhile.

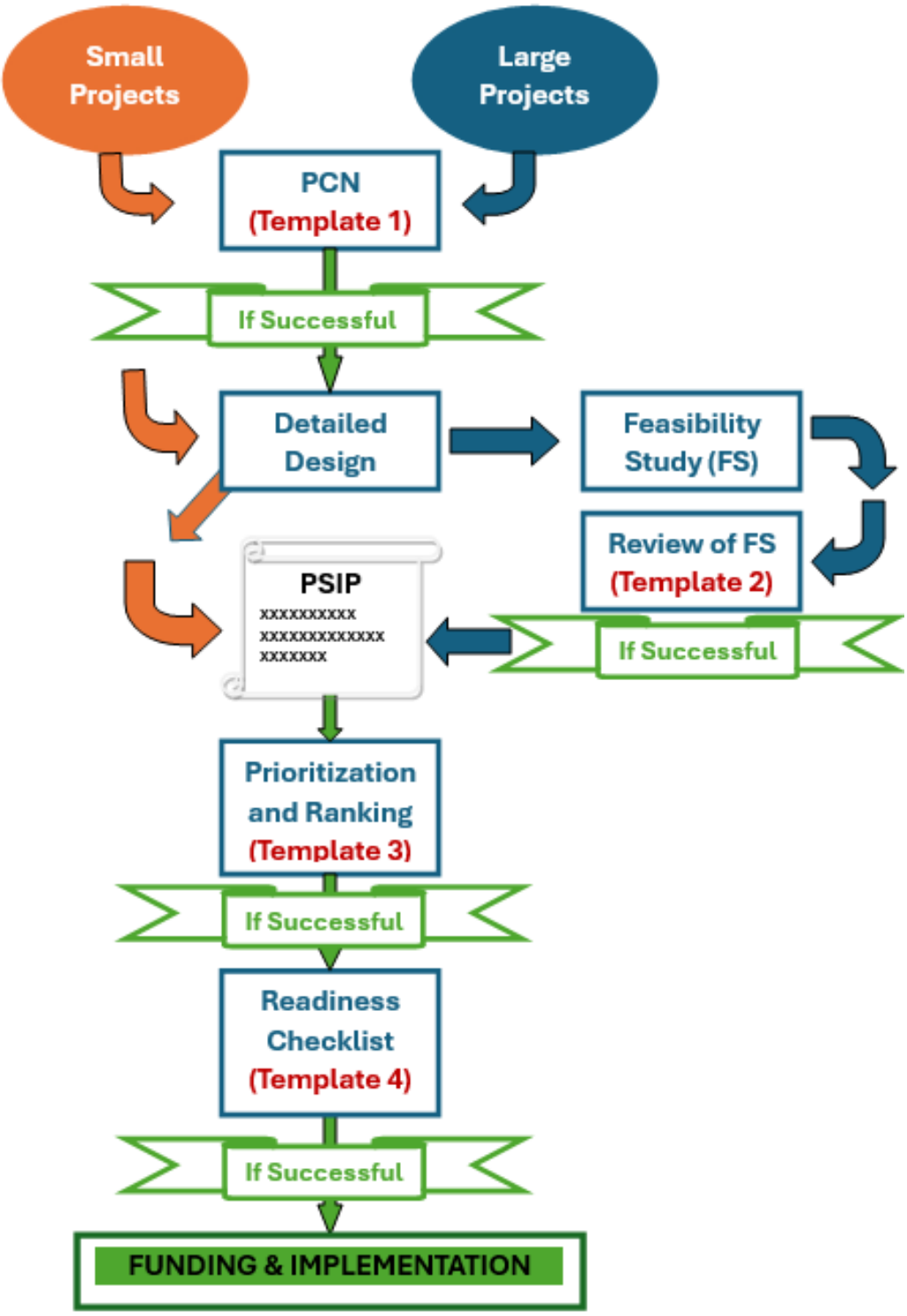
2. **False Estimating:**
   Deliberately under-estimating project costs in order to avoid extra scrutiny is an irresponsible practice, which could place the results at risk and create future long-term problems for the project owner.

   If the MEPD has enough cause to believe that the project costs have been under-estimated when it is close to the E200m threshold, it reserves the right to insist on a feasibility study.

Approval Processes for Small and Large Projects

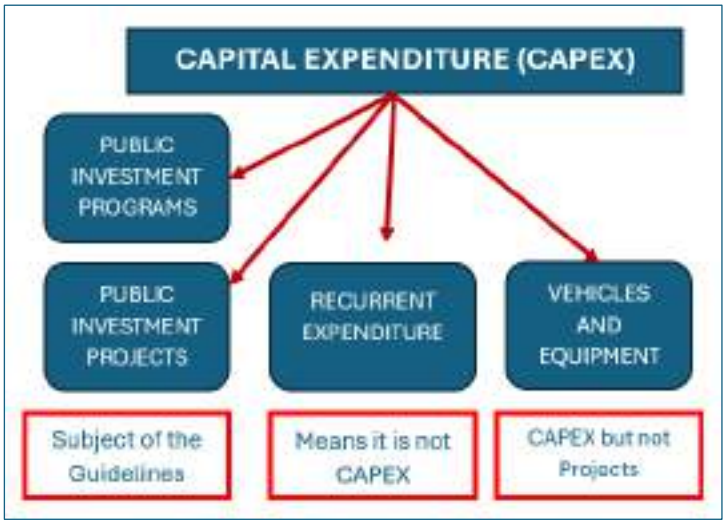
Small and Large Projects are treated slightly differently with the reasons for this already explained. As the flow chart below shows, the main difference between the two classifications is that a Large Project will have to go through a Feasibility Study (FS) and the FS needs to be independently reviewed. If it is successful, it will enter the Public Sector Investment Program (PSIP) that is considered by the Planning and Budgeting Committee. Small projects can enter the PSIP following a successful pre-screening through the PCN.

Project Proposers in Ministries, Departments and Agencies are responsible for preparation of PCNs (all projects) and Feasibility Studies (for large projects).


Small Projects
Large Projects
PCN (Template 1)
If Successful
Detailed Design
Feasibility Study (FS)
Review of FS (Template 2)
PSIP
xxxxxxxxxx
xxxxxxxxxxxx
xxxxxxx
If Successful
Prioritization and Ranking (Template 3)
If Successful
Readiness Checklist (Template 4)
If Successful
FUNDING & IMPLEMENTATION

5. CAPITAL EXPENDITURE VS PUBLIC INVESTMENT PROJECTS

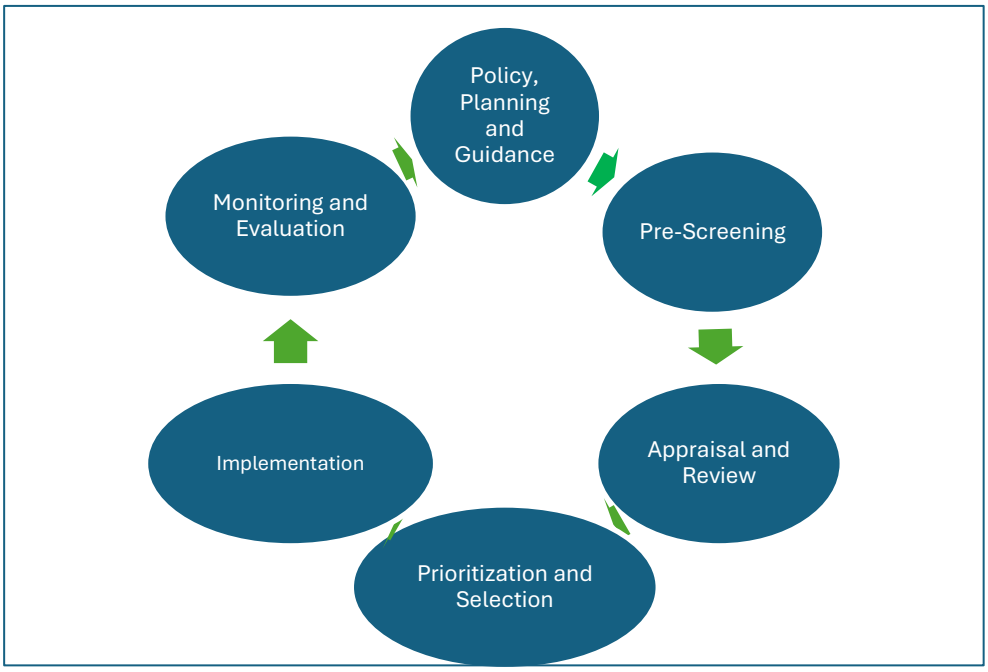
Due to the way in which the Budget is classified, all Projects are classified as Capital Expenditure and all Capital Expenditure is classified as a Project. Whilst the first statement is true, the second statement is not necessarily so. There are so-called 'projects' such as items that are simply procured (examples might include a new vehicle or a piece of medical equipment) that are clearly not 'projects'.[2] Therefore the Guidelines should not apply to procurements of this nature. However, the MEPD will still be responsible for allocating, monitoring and recording these expenditures.



For guidance on the difference between Programs and Projects please read the section on the subject.

6. THE PROJECT CYCLE – A QUALITY BASED APPROACH

All projects (even those in the private sector) should follow a basic series of steps that follow logically and complete a full circle when the lessons learned from the ex-post evaluation from one project, feed into future policies and guidance, helping to improve future projects. This is known as the Project Cycle. All of these steps follow each other in sequence; and the order does not change regardless of the sector or the type of project. The sections of these Guidelines

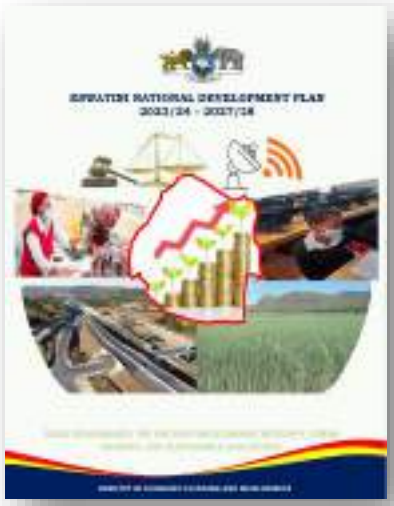


[2] Although equipment that is part of the start-up and operationalization of a project can be considered as part of a project rather than replacements due to wear and tear during the operational life of the project.

therefore follow the same sequence, following on from Policy, Planning and Guidance of which this document forms a part.

7. WHERE SHOULD PROJECT IDEAS COME FROM?

There are two main sources from which project ideas should be generated. The first and most obvious is the Eswatini National Development Plan (NDP). This is always the preferred source for project inspiration. Secondly, the National Development Strategy (NDS) or any specific sector development strategy would also be an excellent source of projects. The project may be clearly identified in the NDP or NDS or sector plan but in some cases it may not; but a policy direction should be identified, and the project should be consistent with the policy direction identified in the plan. Unsolicited proposals (or unplanned ideas) are considered to be poor practice internationally and such proposals are generally not looked upon favorably unless they are a response to an emergency, or unforeseen circumstance.



Development partners have an important role to play in assisting the government in delivering its social and economic development goals. Their support is always welcomed. When discussing possible projects with development partners, the main goal should be to focus on the priorities of the government rather than those of development partners. As mentioned above, projects proposed by development partners should be connected to priorities in the NDP or a sector strategy. This is because there are almost always costs to future budgets for all projects, even when the capital is provided by the development partner, this is why it is important to ensure that **all** projects are checked through the processes in these Guidelines.

8. APPRAISAL STEPS

Please Note: All of the Appraisal Steps in this section apply to all projects. Additional (in depth) studies are required for large projects. This is covered in the next section.

This section provides guidance on all of the issues that will assist in getting a project proposal pre-screened successfully through the new PCN.

Important Note:

Appraisal should not be abused as a 'case-making' exercise.

Deciding what should be the outcome of the feasibility study (or pre-feasibility study) beforehand and building a case around it in order to justify it using subjective 'evidence', is known as *'case-making'*. It is considered bad practice and should be avoided at all times.

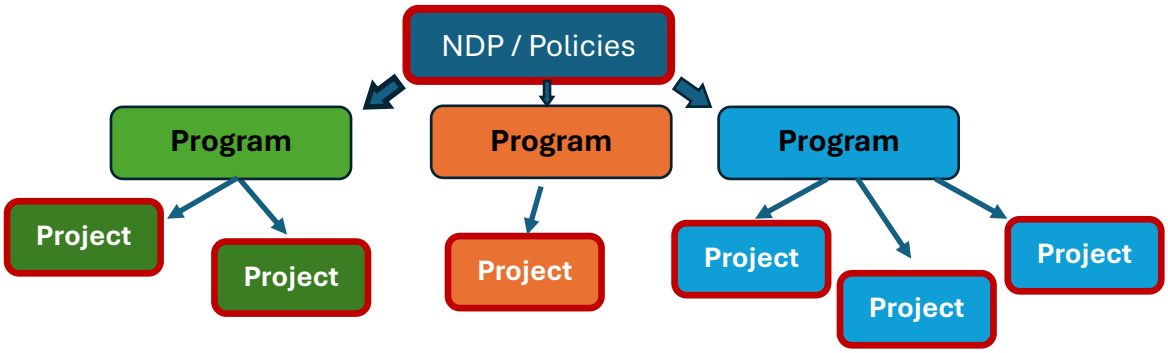
Officials in proposing entities should enter into the appraisal process with open and objective minds about the outcome. MEPD will be vigilant in identifying case-making.

Important to remember:

Clearly stated assumptions can save time in the appraisal process as it is less likely that questions and clarifications have to be sought during the review.

Program or Project?

Programs and projects are connected – but they are not the same thing. In short, a program aims to deal with a problem or an opportunity in a particular sector of the economy. The program may contain a number of individual projects designed to contribute to the objectives of the program. There may be a number of programs underway in different sectors, all at the same time. Each program may have varying amounts of projects contained within it.

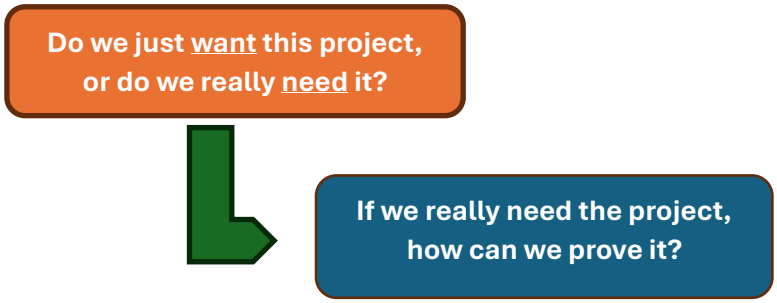


It is considered good practice to appraise programs as well as the individual projects within them. The approval of a program does not automatically confer approval of future projects within it – it is possible to have a bad project in a good program, and this scenario should be avoided in order to conserve precious resources for the best projects.

Understanding the Need for a New Project

When considering applying for a new project, it is useful to be guided by the following two questions:

1. **Want or Need?**
2. **Can we prove it?**



The answer to both of these questions is to base everything on as much data as possible.

Proof should be based on evidence found in as many data sources as possible; which corroborate each other. Data should be:

- Relevant to the issue at hand
- Up to date (or no more than 5 years old)
- Credible (from a named, published source) and
- Based on realistic assumptions

Pre-screening through a Project Concept Note ((PCN)

As with most countries in the world there are more project ideas than resources available to implement them all. Therefore, a form of preliminary (pre) screening is necessary to filter out the weak projects and avoid diverting these precious resources away from priority projects. In this way it could also be seen that pre-screening is a form of qualification test. The pre-screening is carried out through a standard Project Concept Note (PCN - see Annex 1).

Pre-screening has a number of advantages, and that is why so many countries use this technique.

Advantages include avoiding projects that:

- are not needed
- are not thought out properly
- are inconsistent with government or sector priorities
- are unlikely to be viable (technically, financially etc.)
- can become 'white elephants'
- involve unacceptable risks or lack the capacity to implement and manage them
- have little chance of being affordable in the foreseeable future.

Above all pre-screening ensures that government resources are properly targeted and focused. It helps keep the project pipeline at a manageable level. The MEPD, as the responsible entity for PIM uses the PCN Template to carry out pre-screening. It is a single proforma template presently on Microsoft Excel®, in two parts. The left hand side of the page involves the Project Proposer answering a structured series of questions based on international good practice; each question includes some simple instructions on how to respond.

The right hand side is for the assessors (coordinated by MEPD) to complete.

The assessment grade involves clicking on a cell to reveal the only three possible responses which are **"Pass", "Return"** (for further work) or **"Not accepted"**. The scoring guidance is shown transparently and allows Assessors and Project Proposers alike to see what level of information is required to pass each question. An extract of the template below, shows the headings and first two questions. The full PCN Template is at Annex 1.

All the questions below to be answered by the Proposing Entity	Assessment: This Column to be Completed by Reviewer Only	Scoring Guidance
1. Purpose and justification for a New Project		
1.1 How would the project fulfil specific objectives of the "National Development Plan 2021/22 - 2027/8", any sector strategy or action plan? Provide specific document references, with relevant page number and paragraph. Specific policies where such as job creation, gender and climate change should also be mentioned here	[Enter Assessment Grade]	**Pass** = Reference has been made to national or sector strategies and a clear explanation has been provided about the links to the proposed project **Return** = Reference has been made to national or sector strategies but links to the proposed project are not clear **Not Accepted** = No link was established between the proposed project and the national or sector strategies
1.2 Why is this new project needed? Describe the problem to be resolved or opportunity to be exploited. And how big is this problem or opportunity? Include some basic number estimates to support the justification(s)	[Enter Assessment Grade]	**Pass** = The problem and its causes are explained fully (or opportunities are explained fully) with some evidence of scale **Return** = There is inadequate numerical information about the scale of the problem or opportunity

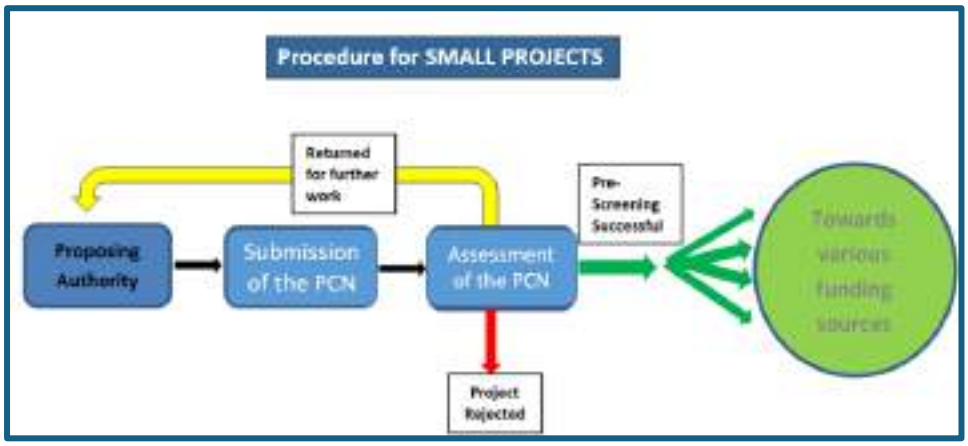
Assessing the Viability of Small Projects with the PCN

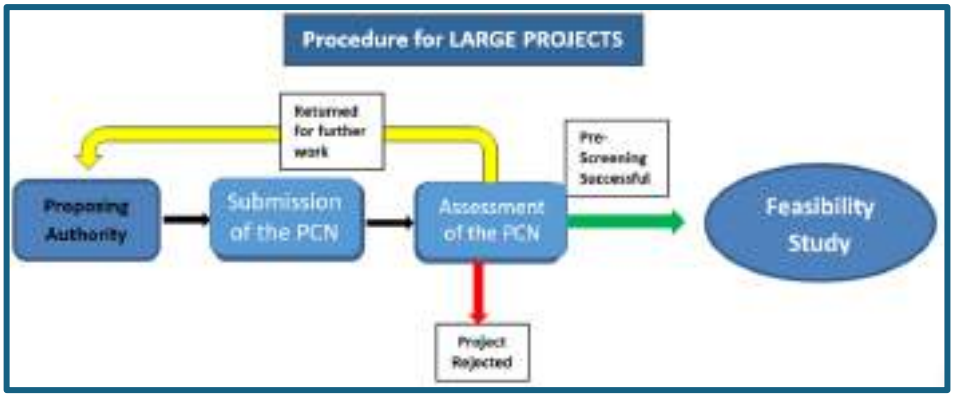
The PCN can serve a dual purpose. Not only can it allow informed pre-screening decisions on all project proposals as a first entry check for the PIM system; it also carries enough information to allow an acceptable viability assessment of small projects.

The PCN raises the quality threshold for entry into the PIM system – a positive pre-screening on larger projects means that they can go forward for feasibility studies, smaller ones may go towards funding in the prioritization process if they successfully pass the pre-screening.

Even for small projects that are successfully pre-screened, this only means that it has been positively appraised and does not guarantee funding.

The procedural routes for both small and large projects are illustrated below.





Objective Setting

What are Objectives?

They are simply a statement of what you want the project to achieve.

Designing clear objectives for the proposal provides the basis for examining the most efficient way for the objectives to be achieved (option appraisal). It is the essential starting point for conducting the option appraisal. This process also forms the basis of the logic path of the project which starts with identifying the need and finishes with the results and impacts from the project.

The logic path for a project is shown in the graphic below.

Objectives should be **'SMART'** – meaning:

Specific, **M**easurable, **A**chievable, **R**ealistic and **T**ime bound. This is to enable monitoring of the project during its life to assess whether and to what extent it is achieving its objectives and later to enable the project's ex-post evaluation to see to what degree it has been successful or not.

Options for Achieving Objectives

There is almost always more than one way to achieve an objective.

Comparing and Choosing the Right Option is at the heart of Appraisal

This important step of the appraisal asks the key question: How can we best achieve the objectives? Option identification and appraisal is an important exercise and if done well, it can add real value to the project. Different stakeholders in the project will have different ideas about how the objectives can be achieved - appearing to ignore them may cause conflict. Different perspectives should instead encourage healthy debate. The option assessment process needs to take place **to prove, in an objective manner, which option is the best.**

The options should be compared to a baseline or benchmark option or, perhaps, 'a starting point'. This is often referred to as the *'do nothing'* option when a service or asset does not exist; or the *'do minimum'* option, representing the minimum input necessary to *maintain services at, or as close as possible to, their current level*. This option should be appraised even where it is not considered to be a realistic option. Its function is to provide a benchmark so that the value of all the alternative *'do something'* options may be judged by reference to current service provision (or lack of it as the case may be). This exercise seeks an answer to the question: '*What would happen if the project does not go ahead?'* The answer to this question will guide decision makers. If, for example, the answer to the question is *'people will die'* then this draws attention to the fact that the project is likely to be high priority.

Debating the Best Option

The best way to create a list of options is to seek the ideas and opinions of relevant sector specialists together with users and stakeholders. It ensures that stakeholders feel they are involved in the process and are allowed to have their say in the way that the project develops. It is good practice to hold a workshop where the agreed objectives are already in the minds of all participants.

The project formulation workshop should begin by identifying a list of all suggested options. This should include not only the conventional solutions, but also any more innovative suggestions. Imaginative and innovative thinking should be encouraged. Option appraisal reports should record all these **'long-listed'** options.

Two important points should be considered:

1. **Fulfilling project objectives does not always involve building something; and,**
2. **Options are not only physical options** (such as 'should we build the hospital 2 floors high or 3 floors high?'), **there could also be workable options that include information and awareness campaigns which could prove good value for money.**

An example is shown below:

Objective:

To increase the participation of students (of a stated age range) in tertiary education from the present (x%) to the required (y%)

Some Options:

1. Increase the use of existing educational buildings in the region by increasing the number of available academic courses and spreading the hours of use
2. Physically extend existing educational buildings
3. Build an additional educational facility in another location
4. Encourage bigger class sizes

Clearly each one of these options will have different implications. Some will cost more than others in terms of capital but will have lower operating and maintenance costs. Similarly, some will have lower capital costs but higher long term operating and maintenance costs. Some will require some difficult political decisions which may not always be forthcoming. The purpose of option appraisal is to assess, debate, agree and report on the full range of possibilities and finally to identify the preferred option for implementation.

There could be a number of Strategic and Operational Options. These could include:

- Varying time and scale – gradual or phased implementation
- Options to rent, build, lease or purchase buildings or other assets
- Different combinations of capital and running costs
- Refurbishing existing facilities or building new ones
- Using better value locations or sites
- Sharing facilities with other parts of government
- Provision by the private sector, e.g. Public Private Partnership
- Using ICT to improve delivery, as part of wider organizational changes
- Varying quality requirements
- Better implementation of existing measures or initiatives
- Information campaigns

Qualifying the Options – Turning a 'Long list' into a 'Short list'

Once the options have been listed, each one should be debated to see if they are realistic options – arriving at a more manageable 'short list'. This exercise may exclude certain options, for example, a lack of realism regarding resource availability, site suitability, legality or unacceptable environmental impacts. When options are rejected in this way, the reasons should be recorded for the benefit of transparency.

The exercise to find the preferred option from the short-list is determined by the scale of the project. This should be done as follows:

1. For small projects not requiring a feasibility study, this exercise should culminate in the identification of the preferred option using a **Multi-Criteria Appraisal (MCA)**. This will require agreement, in the workshop, on a set of important criteria such as capital cost, running costs, ease of implementation, environmental and social impacts, additional benefits and other resource availability. The resultant preferred option should be recorded in the PCN.
2. For large projects that require a feasibility study, all options should be recorded. The preferred option should also be discovered through **MCA** and identified in the PCN. However it will still be subject to further in depth appraisal in the feasibility study (FS). If the FS identifies difficult issues or challenges with the preferred option, the second placed option can then be re-assessed to see if it would be better. (See Section 9)

Using Multi-Criteria Appraisal (MCA)

Multi-Criteria Analysis (MCA) is an effective appraisal tool when the benefits are hard to quantify in strict financial terms, notably in social sector projects but can be (and is) used effectively as a decision-making tool. Where possible, benefits should be valued at market rates. However, it is not always practical to do so.

In many assessments there are non-monetary impacts such as environmental, climate, social or health effects that don't have market rates. These non-monetary benefits must be considered in the appraisal. They may be crucial to the decision-making process. It can be used to rank options or choose a preferred option.

Criteria for making the assessment, should be agreed based on the objectives for the project. All the criteria should be relevant to the objectives. The appraisal team then awards a score against each option for its capacity to meet each of the criteria. The scores are all added for each option. The option with the highest score becomes the preferred option. Because of the subjectivity involved, it is good practice to ask another group of assessors to make an alternative (but non-binding) scoring of the options to check the fairness of the assessment. If the criteria have been set clearly and fairly, the scores should be similar regardless of the individual assessors.

Multi-Criteria Analysis is also used later in the PIM process in prioritization exercises; demonstrating its versatility as a decision-making tool

If conducted correctly, MCA can bring structure and transparency to judgments on how options compare with each other by measuring factors that cannot be expressed in financial

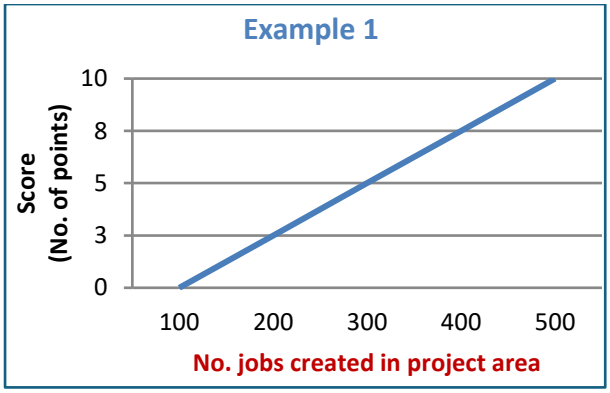
values. The criteria used should consist of judgements on how well each option meets the objectives. Sometimes the stated project objectives are sufficient to serve as the relevant criteria for the MCA, in other cases they may need to be developed into a set of more detailed criteria.

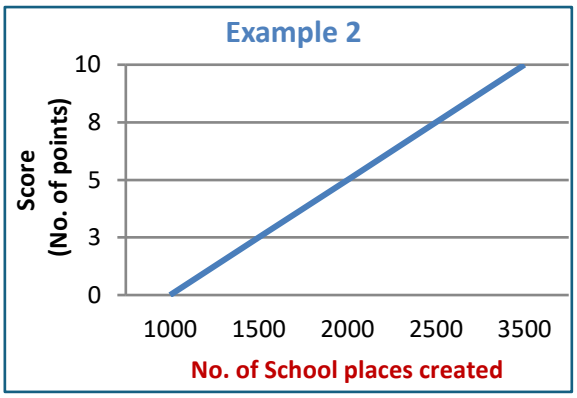
The most important MCA techniques are:

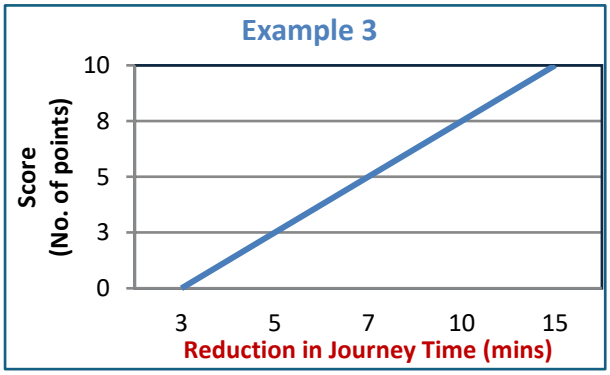
1. **Impact Assessment (un-weighted):** This method records the expected impact of each option upon each non-monetary factor in an impact performance matrix.
2. **The weighted scoring method:** This involves assigning numerical weights to each of the criteria to reflect their relative importance to each other and calculating a 'weighted score' for each option. This can be done semi-automatically using the Excel based tool.

Impact Assessment (un-weighted)

The three examples shown below illustrate how scoring points are allocated for criteria in three different hypothetical scenarios.







Note that all three examples demonstrate that there should be a minimum acceptable level of achievement for each proposed option. For example, 'Example 3' shows that in this hypothetical situation, a saving in journey time of only 3 minutes would not be sufficient to justify expenditure under any circumstances and would score '0' in this case.

The scores that each option achieves for each of the chosen criteria are then added together to arrive at a single combined score for each option as shown in this example below.

Assessment Scorecard for 5 Options using 4 Criteria

Criteria / Option	1	2	3	4	TOTAL
A	5	4	7	7	23

B	6	7	7	6	**26**
C	7	6	4	7	**24**
D	3	6	5	6	**20**
E	5	3	5	5	**18**

These scores indicate that Option B with a score of 26 is the strongest Option and Option E the weakest option with a score of 18. There is no theoretical limit to the number of criteria used in the exercise but usually, only the more significant impacts are chosen to avoid too much complexity. Like all approaches to appraisal, the amount of effort employed should be proportional to the size and / or complexity of the proposed project.

For all the criteria listed, at least one option should offer a credible impact. If all the option scores for any particular criteria are low, it may indicate that there is something wrong with the project concept and design.

Weighted Scoring Method for MCA

Whatever the criteria chosen, it is likely that some criteria will be more important than others – in other words some carry more weight than others. The 'weighted method 'of MCA is designed to reflect this reality. In the example shown in the Table below, weights are given to each of the criteria as a factor of 1.0. The total weighting for all criteria therefore should equal 1.0. In this example, the most important criterion is *'Social and Economic Regeneration'* with a weighting of 0.4. (an equivalent of 40% of the available score). In the weighted scoring method, the score given by each assessor for each criterion is multiplied by the weighting to produce a 'weighted score'.

Weighted Scoring Method – Example Scorecard

Criteria	Weight (Total = 1.0)	Option 1		Option 2		Option 3		Option 4	
		Score (0-10)	Weighted Score	Score (0-10)	Weighted Score	Score (0-10)	Weighted Score	Score (0-10)	Weighted Score
Social and economic regeneration	**0.4**	1	0.4	7	2.8	9	3.6	6	2.4
Job Creation	**0.35**	1	0.35	8	2.8	9	3.15	5	1.75
Ease of Implementation	**0.25**	8	2	5	1.25	4	1.0	8	2.0
Weighted Score (Out of 10)			**2.75**		**6.85**		**7.75**		**6.15**

Transparency Principles to be applied in MCA are:

- Assessment or scoring teams should be drawn from a range of stakeholders and should not be dominated by one group.
- The names and designations of all members of the team should be recorded on the scoresheet. They should sign the scoresheet at the end of the exercise.
- In the interests of transparency, details of the methods and assumptions used should be recorded. The reasons for any unusually high or low scores by any members of the assessment team should be recorded.

Suitability for a Public Private Partnership (PPP)?

One of the strategic options for achieving the objectives, as mentioned above could be a Public Private Partnership form of implementation. This option would involve the financing and management of resultant assets. On the face of it, PPPs can appear to be an attractive option as the capital cost does not have to be found 'up-front' and can instead be paid for over a number of subsequent years. Mobilizing the resources of the private sector can also enhance the quality of both assets and service delivery. However, for many countries, these benefits have remained elusive and therefore caution needs to be exercised to avoid the mistakes made in other places.

PPPs are essentially public investment projects rather than 'something else'. A PPP methodology cannot change a poor idea into a good one, nor can it magically create demand where it doesn't exist. Therefore the normal rules of project identification, preparation and appraisal, as outlined in these Guidelines, all must apply to PPP in order to avoid expensive mistakes.

PPP does not involve 'free' money. The project has to be paid for one way or another. It could be paid for directly by the users of the assets or service (a **'user-pays'** model) by the government directly through availability charges (a **'gov-pays'** model) or through a combination of both.

Regardless of the model used, PPPs always come with contingent liabilities for the government which may be based on a number of contractual obligations such as guarantees on usage, senior debt[3] underwriting or early termination compensation. That is why PPPs must be examined in the most rigorous manner to understand them and to minimize the risk of these liabilities materializing. This is a specialized exercise and should only be attempted with expert assistance.

Whilst assessing the suitability of PPP for a project implementation, the following additional factors need to be considered:

- ***Would there be sufficient market interest in the project to generate competition?*** Without more than one bidder there can be no competition; and without competition the likelihood of PPP being able to provide a value for money solution is small;
- ***What outcomes have there been for similar projects in the same sector in other peer countries and what lessons can be learned?*** It is important to research other examples that are recent, in the same sector and of the same relative size compared to the size of the economy

[3] This means 1st tier bank debt.

- ***Is the project of a sufficient scale to absorb the substantial additional costs in preparing a PPP?*** The transaction costs for PPP implementation are significantly more than for conventional implementation
- ***What are the likely direct costs for the government and are they sustainable?*** 'Gov-pays' models involve substantial ongoing costs over many years (often decades). They can also create short-term direct obligations to provide other supporting or connecting works to make the PPP part viable
- ***What are the likely contingent liabilities?*** These could include various guarantees that if called upon could create short-term fiscal shocks for the government
- ***Could the PPP option be more efficient than conventional implementation and how could we demonstrate it?*** It is not easy to demonstrate value for money as the exercise involves making large numbers of assumptions that are often subject to an optimism bias[4].

Given all of these complex circumstances, PPPs should not be chosen as an implementation route without detailed advice from qualified and experienced sources.

It is possible that even if a project does not show the potential for PPP implementation at the PCN stage, if further evidence in the FS shows that all of the above issues can be answered positively, the possibility can be reconsidered.

Engagement with Stakeholders

Stakeholders are entities and individuals who have a direct interest in the proposed project. They can include:

- Existing users
- Potential future users
- Affected people
- Sector professionals
- Regulators
- Financiers

Stakeholders should be viewed as a valuable source of advice on how best to formulate and prepare the project. Stakeholders should be an intrinsic part of the project formulation workshop and the option appraisal procedures. They should not be viewed as a source of potential trouble but as a source of good advice to help make the project work in the way it is intended. Engagement with the stakeholders should not be seen as a one-off activity; they should be kept informed of progress as the project goes through its development and implementation.

Capital Costs

The estimation of capital costs is one of the most important aspects of developing a project proposal. It is critical to make the estimates as comprehensive and accurate as possible. Officials often tend to under-estimate capital costs in order for it to appear more attractive to implement – they worry that more realistic costs will make the project seem unaffordable to decision-makers. However, not only is this poor practice but it is an illusion. It also totally

[4] Optimism bias is the well observed tendency for project promoters to under-estimate the costs and risks in a proposed project and over-state the benefits. This is particularly prevalent in the case of PPPs.

undermines the appraisal and can lead to budgeting challenges during the course of implementation when the real costs of a project become apparent. The consequences of this mean that other projects may be denied funding to pay for over-spends. This creates a vicious circle which damages the way in which capital funds are allocated.

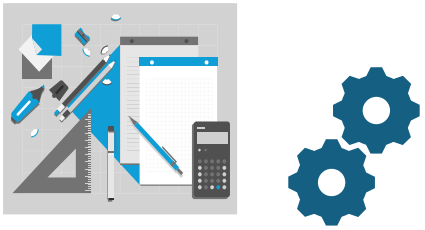
Cost estimation could involve input from accountants, economists, engineers, statisticians and other specialists, depending on the type of project. Costs should be comparable to similar projects or public service delivery areas. Examples might include cost per kwh of electricity or

cost per m^3 of drinking water. Further examples could include cost per hospital bed, cost per m^2 of office floor space, cost per trainee place, or cost per dwelling. If unit costs appear too high, the values may need to be reviewed, or the proposal re-designed or rejected. These situations may indicate underlying flaws with the proposal.

Better cost estimation will be expected in PCNs and in Feasibility Studies and they will be subject to review to challenge their realism. Therefore the following should be considered when developing the capital cost estimates:

For small projects, costs should be estimated and summarized on the PCN as follows:

- Land Costs
- Resettlement Action Plans
- Site preparation and access
- Costs of bringing utilities to the site
- Design cost
- Construction costs
- Mechanical and Engineering costs
- All equipment required to make the project functional in a manner that can deliver its objectives



Running Costs

Agreement to provide capital funding carries with it an implicit guarantee to fund the future running costs of the project. Therefore in order for informed decisions to be made about whether the project is affordable in the long-term, it is critical to provide realistic estimations of these running costs. Running costs can include cost items such as salaries, utility costs, equipment, supplies and ongoing maintenance costs.

Estimations of these costs will be required as part of the appraisal process. The table in section 2.4 of the PCN is the place to record these running cost estimates. Officials proposing a project will need to think carefully about what these costs might be in the future. In the case of a clinic, for example, how many doctors and nurses will be salaried? What about other support staff? What supplies would be required each year? How much will it cost to keep it clean to an acceptable standard? What would be the cost of keeping the assets in a working condition?

Since these costs are in the future, they are difficult to estimate, so they should be expressed in present day values and should be based on comparative costs from other similar projects.

Technical Viability and the Effect on Costs

Whether a project is technically feasible is among the first things that officials consider when proposing a project. However as already discussed, a range of technical and other options should be considered during the option assessment during a project formulation workshop. Some options involve using lower quality items (and therefore lower capital cost) but this might involve higher operating costs or more frequent repairs and replacement. Others may involve a higher quality / higher cost item but is cheaper to operate and may have a longer life.

In the PCN at section 3.2, early consideration should be to excluding technical options that may represent 'no-go areas' for the government. These may include options that would risk breaching environmental and climate change protocols and other government policies or options that would involve complex import arrangements, potentially delaying the project and inflating the cost estimates.

Benefits and Beneficiaries

The purpose of implementing a project is to fix a problem or exploit an opportunity – in other words to generate benefits. The key to worthwhile appraisal on all projects is to understand:

1. **what those benefits would be;**
2. **to whom the benefits would accrue; and**
3. **in what numbers.**

Responding the first question, understanding the type of benefits that could flow from a successful project, must be the starting point for all consideration on the subject. There is sometimes more than one type of benefit in a project, so it is important to identify all of them, as it can make the project more attractive. However exaggerated claims regarding benefits will only damage the credibility of the project.

Benefits could include the following as examples:

- ✓ Number of jobs created
- ✓ Number of lives saved

- ✓ Improving resilience to climate change
- ✓ Reduction in greenhouse gas emissions
- ✓ Increased living standards
- ✓ Reduction in infant mortality rate
- ✓ Reduced number of road accidents
- ✓ Reduced cost of travel
- ✓ Increased literacy rate

The next two questions can be combined: who would receive these benefits – 'the beneficiaries' and how many?
Beneficiaries can involve a wide range of citizens and it is tempting to claim that a project will be for the benefit of the whole country. However if everybody makes the same claim, it really undermines the whole appraisal process. Therefore, a realistic and objective viewpoint must be made in each individual case.

If a new clinic is planned in a village, then clearly the inhabitants of the village will benefit. In this case, the number of inhabitants of the village could be counted or information accessed through the statistics office. This would be a simple case. It is also possible that people from the surrounding countryside or even nearby villages would also benefit. However if a nearby village already has a clinic, then beneficiaries cannot be counted twice.

If the objective of road improvement is to reduce accidents, then there are likely to be a number of beneficiaries who will benefit in different ways. In this case benefits could include: (i) reduced death and injury; (ii) reduced costs of healthcare due to accidents; (iii) jobs created during construction and (iv) reduced damage to vehicles. Again statistics can be used concerning number of accidents and affected people over a long period (at least 10 years). Savings in healthcare could be estimated and avoiding the cost of damage to vehicles can be estimated from the number and type of vehicles using the road per year.
Where there are multiple beneficiaries, accurate estimations are not possible but best efforts must be made to calculate. As long as the evidence and the assumptions made in the calculation are shown, and they are reasonable and realistic, they are probably going to be acceptable.

Current market prices should be used to estimate costs where they exist, because they reflect what firms, households or other entities are willing to pay for goods and services. Equally it is important to cost *all* the public resources used in each option. Resources should be valued even if they are already owned by the government (for example land, machinery or equipment); they have an opportunity cost - on the principle that they could instead, be sold or put to another more productive use.

Financial and Economic Assessment

Project appraisal period – Over What Period of Time should we Make the Appraisal?

The timespan over which the project is appraised allows all costs and benefits to be valued over the same period and then discounted to an economic value in present day terms. This timespan will be connected to the physical lifespan of the assets and will depend on the nature of those assets: for example:

- in the case of an IT system: 10 years
- a building - 30 years
- a good quality highway - 50 years or more

The appraisal period will also be dependent on the quality and design life of the proposed project. For example if a road is being designed with only a basic quality in order to keep the costs down then it would be appropriate to reduce the appraisal period to be more realistic. The appraisal period will be set by its useful functional life before it requires a major rehabilitation or replacement - and assuming fair or average use.

The appraisal period is not necessarily the same as the actual lifetime of the asset or the operational life of the project. An example of this would be when a project's objective requires a prescribed improvement in a healthcare indicator measured over a period of (say) 10 years. In this case the project appraisal period is 10 years, even though the functional life of the project's assets may be much longer. Additionally, if the project concerns the contractual purchase of outputs and outcomes, for example in PPP, the appraisal period would relate to the proposed contractual period. If a project does not involve physical assets, for example if it is an awareness and information campaign, the appraisal period will simply be for the period of time from when the campaign begins to when it ends.

In addition to MCA, other appraisal techniques include:

- Cost Effectiveness Analysis (CEA)
- Cost Benefit Analysis (CBA) – see next section on large projects

Cost Effectiveness Analysis (CEA) is an appraisal technique that aims to discover the best value means of achieving the desired outcome(s). In other words 'what is the most cost effective way to do this?' In a healthcare setting for example, this might mean answering the question: *'among all the options that we identified with the stakeholders, which one will be least cost, whilst providing one course of treatment (effective) for cancer patients?'* This question should develop logically from the objectives of the project which should specify the target number of lives saved over the appraisal period of the project. Along with MCA, CEA is the most commonly used appraisal technique in most countries and is appropriate for routine projects of lower value. CEA is a practical appraisal tool when it is not possible to monetize benefits that do not have a market value (the most obvious one being the value of one saved life).

Considering the Risks in a Project

In projects, there is always likely to be some difference between what is expected to happen and what eventually happens. Things can go wrong. One of the most common causes of risks materializing is poor project preparation. Project owners therefore need to understand the risks in their projects and manage them to better predict project results. This makes the analysis of risks in a project a key element in appraisal. Appraisals should be based on realistic assumptions and on values that take account of risks and uncertainties.

Risk management includes:

- Identifying risks in advance and putting mechanisms in place to avoid them if possible, or to minimize the likelihood or impact of their materializing
- Having a system in place to monitor risks
- Having access to reliable up to date information about risks
- A project team culture that places risk management at the heart of its activities

Project risk: an uncertain future event that, if it occurs, has a negative effect on at least one of the project's objectives.

Risk arises due to many potential factors, for example:

- Unforeseen circumstances / poor project planning / inadequate risk management
- Construction uncertainties such as ground conditions, or extreme weather
- Operating costs may depend on the success or failure of a new technology or utility costs
- The type of technology used in the project
- The location of a project
- The demand for a service is never certain
- Uncertainties about future wage, fuel and other material input (e.g. steel and cement) costs, or changes in the preferences of end users

Understanding risks and their potential impact is vital in project appraisal. Internationally, a commonly used approach to identifying and assessing risks is a **'Risk Workshop'** which is held between the project's stakeholders. The aim of this is to create an open forum which facilitates the identification of all relevant risks. This should cover 'economic' risks and uncertainties, such as variations in cost/benefit assumptions, as well as managerial, legal, technical, financing and other risks and uncertainties.

If you're not certain about something – it's a risk. Write it down

An important part of this is the examination of *Climate Risks* during the project appraisal process. In determining the potential climate risks, project proposers may need to work alongside specialists from other departments, ministries or agencies, or stakeholders outside of government. Analysis should examine whether climate hazards such as droughts, floods, hail and wind storms or water scarcity can negatively impact on the proposed project. For instance,

infrastructure in areas prone to flooding may face significant damage, leading to increased costs and project delays.

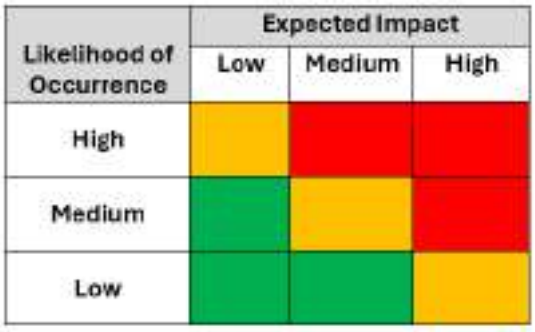
Similarly, there may be a risk that the project leads to negative climate outcomes, for example, by increasing greenhouse gas emissions. These types of risks should, similarly, be clearly documented, in addition to their potential impact and likelihood.

A crucial prerequisite for well-informed decision-making on addressing climate risks is the utilization of the best available information regarding both the current and future climate of the country. This encompasses data on observed climate changes, current climate variability and extremes, climate change projections, and assessments of impacts and vulnerabilities. Given the technical nature of this task, it may be most effectively executed by the relevant sector ministry (Ministry of Lands, Natural Resources and Environmental Protection) or an external consultant.

All identified risks should be recorded in a ***Risk Matrix*** which should be constantly updated and monitored throughout the development and implementation of the project.

A *Risk Matrix* should contain the following information:

- Risk type with brief description
- Bearer of risk (which institution would incur the costs of risks materializing?)
- Likelihood of occurrence (**High** / **Medium** / **Low**)
- Expected impact (**High** / **Medium** / **Low**)
- Countermeasures (mitigation)
- Risk status –derived by combining the Likelihood of Occurrence with Expected Impact using the **'traffic light'** code shown on the right.



An example of a typical risk matrix is shown below, and the format to be used. All inputs are based on a fictitious project for the purposes of these Guidelines. It has no connection or similarity to any existing or planned project. The cell inputs are created for illustrative purposes only.

Typical Risk Matrix

Name of Project: IT Management System **Project Code:** XYZ123		**Phase of the Project:** (PCN / Feasibility Study / Final Check / Implementation) **PCN**		**Date of Risk Update:** 12/06/2024	
Risk	**Who is responsible?**	**Likelihood of Occurrence**	**Expected Impact**	**Status** (Red / Amber / Green)	**Ideas for Managing the Risk**
Planning Delay	Project Owner	Medium	Medium		Vigilant monitoring of planning processes

System Design Delay	Shared	High	Medium		Independent Review + vigilance on scope, outputs and outcomes
Permit Delay	Project Owner	Medium	Medium		Regular Engagement with Permitting Authorities
Installation Cost Over-run	IT Provider	Low	High		Fixed price in EPC contract
Implementation Time Over-run	IT Provider	Low	Medium		Fixed term in EPC contract
Demand for the project	Project Owner	Low	Medium		Keep demand forecasts under review
Implementation and Commissioning	Shared	High	High		Do not commit to procurement until design is complete with costs and risks known Ensure project quality checks Allow sufficient transition time Adequate training and capacity
Operating Risk	Project Owner	Medium	High		Focus on operating costs during design. Ensure adequate training and capacity
Technical Obsolescence	Project Owner	Medium	Medium		Review technology choice prior to commitment. Avoid long term contracts.

The risk matrix example illustrates a number of common risks that should be easy to identify during the appraisal stage of a project. It is often the case that during this stage, the longer term risks such as commissioning and operating risks are less understood. However, as the design of the project progresses and the understanding of the risks develop, these risks would be expected to reduce. If they do not reduce over time, this may raise real concerns about the wisdom of implementing the project. It is a good reason to continuously monitor and adjust the risk matrix. As new risks are identified during the PIM cycle, these too should be added to the matrix.

During the quality review stages of the PIM cycle, assessors will be alert to the possibility of risks in the project that have not been identified in the matrix. If risks have not been identified or assessed correctly by the project team, it is likely to have an adverse effect on the quality assessment of the project. It is therefore in the interests of the project team to pay full attention to the risk matrix.

Risk Management and Risk Reduction

Following the identification and analysis of risks, project owners need to adopt strategies to mitigate those risks. Steps to be considered can include among other examples:

- **Early stakeholder consultation** - to understand the nature of project requirements more accurately at the outset of project planning and avoid costs increasing later due to poor initial understanding

- **Deferring irreversible decisions** - to allow more time to investigate mitigating measures or alternative ways to achieve objectives
- **Pilot studies** - to acquire more information about risks and understanding them better before committing to a larger roll-out
- **Design flexibility** - increasing the flexibility of designs to make proposals more robust against changes in future demand e.g. modular designs that allow for relatively rapid increases in capacity if / when required
- **Taking precautionary action** - to reduce the risk of a bad outcome, even where the probability is considered small
- **Transferring risk to the private sector** - through contractual arrangements e.g. PPP or insurance
- **Making less use of leading edge technology** - where simpler methods can reduce risk considerably
- **Commissioning research** - to assess the reliability of key installations
- **Undertaking site investigations** - to reduce risks from unforeseen ground conditions or refurbishment costs
- **Phasing a project**- so that it can be modified at successive review points or even
- **Abandoning the project - because it is too risky**

Managing Climate Risk

A key method of managing risks relating to climate change involves developing a list of adaptation measures aimed at addressing the specific risks identified and prioritized in the project risk matrix.

To create a comprehensive catalogue of adaptation options, it is recommended to initially develop these measures without considering their feasibility, cost, or other limiting factors. To generate as many ideas for adaptation options as possible, it is essential to involve a broad group of experts familiar with the system of concern in the process.

Adaptation measures can be classified into:

'Soft' adaptation measures, which enhance adaptive capacities (e.g., communication, information dissemination, capacity building, policy and strategy development, institutional arrangements.)

'Hard' adaptation measures, which involve risk and vulnerability-reducing technologies (e.g., dams, reinforced buildings.)

Managing Strategic Risks in Projects

Whilst many risks can be identified in a risk workshop where the stakeholders are focused on the key components of the project itself, it should be remembered that there are a range of so-called 'strategic risks' that lurk in the background of any project. These would

be the kind of systemic risks that are common to all projects – it is these risks that are often overlooked – to the detriment of the project.

A list of these risks is described below to ensure awareness of the kind of issues that could cause problems for any project.

Risk	Consequences	Means of Managing
Being Unrealistic about: 1. Costs to implement 2. Schedule 3. Demand	1. Project runs out of money / is abandoned 2. Project fails to achieve desired goals 3. Poor preparation – failed project	*Set realistic objectives for the project *Apply Optimism Bias adjustment *Ensure independent review of the feasibility study / appraisal
Inability to communicate the objectives of the project clearly	= The options considered may not be well targeted meaning the appraisal could be assessing inaccurate options	*Take time to consult with stakeholders about what is needed and to understand the nature of the problem or opportunity.
Inability to express the requirements of the project outcomes and required results	= Missed opportunities to take advantage of innovative ideas that lead to more efficient means of realizing project objectives	*Early and ongoing stakeholder consultation
Poor project governance and decision making structure	= The time to realize projects will be unacceptably extended = Bidders / investors may be deterred	*Empower a good quality Project Manager with direct access to the senior decision maker. *Large projects will need a Steering Committee.
Poor co-ordination between government bodies	= Confusion and lack of direction in the project.	*Create a Steering Committee for the project that includes relevant institutions.
Poor project preparation	= Project failure – before or after contract is signed = Poor project outcomes	*Allow sufficient time for comprehensive preparation *Allow sufficient budget to pay for appropriate external advice where necessary.
Insufficient bidders to provide competition	= Poor value for money = Uneconomic projects = High costs crowd out other projects	*Before committing to the project, consult with possible bidders to assess the level of interest.
Legal challenge to procurement process	= Substantial delay to project = Bidders deterred from future projects	*Conduct an open, fair and transparent competitive process in accordance with the law.
Optimism Bias	= The need for the project is exaggerated leading to white elephant projects.	*Run a range of scenarios under the sensitivity analysis that deal with reduced demand and increased costs.

	= Costs over-run = Projects are delivered late.	

Implementation Planning

It is never too early to consider how a project would be implemented. The mistake most often made is to start thinking about it when the approval to go ahead is anticipated. This is too late. Early consideration about the implementation challenges is a good way to start to understand some of the risks in the project (see previous section). It is difficult to understand how a project can be feasible without understanding the implementation challenges; how they can be overcome; and how much time, money and other resources would be required for that to happen. That is why implementation issues are covered as early as the PCN and, for large projects, they are covered in depth in the Feasibility Study and finally in the readiness checklist. A project cannot progress to implementation without a positive assessment in each of these stages of the appraisal.

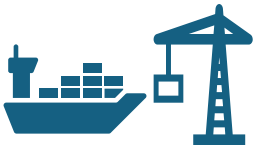
Even when a project may be implemented by Ministry of Public Works & Transport, Micro-Projects or the Millenium Projects Unit, the project owner remains the project owner. As such they retain overall responsibility for the project's implementation even when the actual work is sub-contracted out through a trusted entity such as Micro-Projects. Implementation planning advice can be sought from this organization in order to use their experience of implementing.

For these reasons, a basic outline of implementation issues will be required even at pre-screening through the new PCN. This may appear to be too early, but it forces a discipline on the project planning process that should be seen as a positive contribution to the success of the project. This is particularly the case for small projects, where the more detailed PCN requirements, if carried out correctly, can also be used to get a project through to the prioritization stage. Large projects will require further in-depth examination of the implementation challenges during the feasibility study.

Procurement Strategy

A key part of the Implementation Plan should be the Procurement strategy. This should demonstrate that the project owner has planned how the goods, works and services can be acquired in the right quantity, time and in the right sequence to facilitate the most efficient project schedule. Examples of this include construction, plant, materials and equipment, consulting services and specialized technical equipment. It should demonstrate that consideration has been given to how the various assets will be acquired and that appropriate lead times have been considered and sequenced in a way that allows the project to be delivered in its entirety on time.

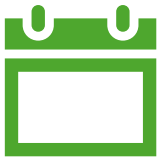
Lead times for procurement should take into account the necessary procedural and administrative requirements. This is particularly important if items are bespoke items that need to be designed as well as manufactured and need to be imported. This may add considerable time to a schedule and should be planned as early as possible. Market assessments of the level of competition for each of the major items should be included and from where certain



items can be sourced. The procurement strategy should provide information on how the proposing authority will ensure a competitive process that is:

- **Open** to all potential bidders;
- **Fair** and objective in its comparison of different tenders. The award criteria for any contracts should be shown. Adjusting these during the procurement process itself should always be avoided; and,
- **Transparent** and free of corrupt practices.

Project Schedule



The expected activities related to implementing the project should be clearly listed and planned dates for completion of key activities should be specified. These **'milestone'** dates should be based on practical reality and should be backed up with narrative about any uncertainties (risks) and concerns about the expected completion date. The project schedule becomes one of the most important monitoring tools during the implementation period. Even at the PCN stage, some basic idea of when the project will be scheduled, is required.

Permits and license applications and their processing can create unforeseen delays if they are only considered later in the process. To avoid this scenario, as much of the planning for these applications should be done in advance with the actual applications being made as a matter of urgency as soon as it is practically feasible. During the Risk Workshop (previous section) the regulatory stakeholders should all have been identified, and invited where possible, to ensure that matters are in hand at the right time and their processing can be scheduled with the various regulatory authorities.

Timescales envisaged should be realistic against the evidence of similar projects and any lessons learned from them. Care should be taken to avoid unrealistic scenarios such as under-estimates of the time required for the procurement process, or assumptions which show construction work beginning the day after the contract has been signed. The feasibility study should identify the need for any legal acts (such as expropriation, compensation to people and properties, construction permits etc.) that are necessary and should have considered the potential impact of any delays in achieving them.

Draft Contracts

Draft contracts should be prepared as early in the implementation planning stages as possible. This is to avoid undue delay between the award of funds for a project and work actually getting underway. Draft contracts should be consistent with precedent documentation. Contracts should include clear indicators of progress. These are normally referred to as **'milestones'** including the most significant points, such as: Contract Award Date, Physical Completion of the Works and Commissioning. Assessors will ensure that there are sufficient milestones included for monitoring and that they include realistic target dates. Any contract should be clear that disbursements will be made as stage payments against these contractual milestones.

A clear procedure for outlining permissible adjustments to the contract must be included in the contract. It is sometimes necessary to adjust projects during the implementation phase. The permitted scope of adjustments before the need for a review should be made clear. Also mentioned should be the methodology and approval procedure by which projects can be adjusted and the checks and balances that accompany them to ensure legal compliance and due process.

The contract should describe the arrangements for handover of the project to the project owner when construction works have completed. It should clearly explain the chain of events, including inspections and sign-off leading up to formal completion and handover. It should be clear under what conditions final payments are made and what happens with defects and warranties? This may be done by reference to the appropriate clauses in the draft contract if it is available or proposed legal drafting if it is not. The necessary arrangements for taking control of the project at an operational level should be described.

9. EXTRA APPRAISAL REQUIREMENTS FOR LARGE OR COMPLEX PROJECTS

In addition to all the procedures outlined in the preceding sections, large or complex projects require further appraisal and governance steps. Large projects are defined as those that are larger than E200m in capital value. The key difference between these and small projects (below E200m) is that a feasibility study is required to explore a range of issues in greater depth. The reason for doing this is that larger projects have more complexity and carry more risk for the country. It is important to ensure that all possible steps are taken to make the project a success.

Therefore, the following additional considerations are required for large projects:

Stakeholder consultations

It almost goes without saying that larger projects come with greater responsibilities. Additionally, the consequences of getting things wrong are much greater; not only for the project owners but also wider society. Therefore, the need to engage in much deeper stakeholder consultations is more prominent.

As already mentioned in the previous section, stakeholders are a source of great knowledge about sector and project scenarios and the knowledge and experience they have can be put to great use and can reduce risks in the project. The scale of the stakeholder consultations should be much greater.

Key stakeholders when checking for climate considerations include the Ministries of Natural Resources and Environmental Protection and other sector ministries. Additionally, local communities, civil society and labour unions may also be consulted.

Project Governance and Steering Committee

The quality of the governance arrangements, the project team and the way in which it is led always has a substantial impact on the outcome and the quality of finalized projects. Governance, oversight and decision-making processes should be as efficient as possible. If the project is bound with bureaucracy for relatively minor decisions, it may ultimately fail to be implemented after much time and money has been wasted.

It is good practice to have a Project Steering Committee for large projects. A Steering Committee should comprise only of the most senior stakeholders in an individual project. They should convene monthly and be there to monitor the project through its preparation and implementation; and advise the project owner on possible ways to improve the progress of the project. However, Steering Committees are not in charge of a project. This is the role of the Project Implementation Committee.

Project Committees are usually comprised of the senior management of the project owner, plus the project manager. External advisors may be invited to attend to provide back-up advice when necessary but are not members of the Committee. The Project Committee is the senior decision maker for the project, but experience over many years has shown that when Project Committees are given executive power over **all** decisions, the results can be projects that are compromised by trying to fulfill the requests of all members to reach a decision and frustrated by trying to organize meetings to do so.

When too many decisions rely on bringing large numbers of people together in a meeting, delays in coordinating them can be significant enough to slow the project.

Project Managers should be given enough delegated powers to allow them to make routine decisions, to permit them to progress the project in the most effective manner, without having to convene a Project Committee meeting more than once a month. The frequency of meetings should be at the direction of the Project Committee and should be commensurate with the scale and challenges of the project in question.

To follow Good Practice:

- Everybody involved in the project must understand their own role in the project and the roles of other colleagues
- Everybody must understand who is in charge; and the chain of command
- The Project Manager should be given the authority to make all day to day decisions. The limits of authority should be generally more liberal than restrictive
- There should be a direct reporting link from the Project Manager to the Senior Responsible Official in the project owner to ensure that more significant decisions can be made quickly and thereby avoiding potential delays by trying to convene a Project Board meeting. Such decisions should be recorded in the project documentation
- The Project Committee must be established for each project and should be required only to make the highest-level decisions (for examples: to submit a PCN to MEPD, to appoint consultants or the decision to award a contract) and not be involved in the day to day decision making or running of the project.
- The project owner should avoid encumbering the project with multiple sub-committees / working groups / advisory boards etc. which may confuse the decision-making process and accountability arrangements and may result in delays to the project. Such advisory

bodies can only be effective if they have clear Terms of Reference, and all concerned are clear that they have no executive authority in the project.

Feasibility Studies

For large projects, since Feasibility and other studies cost money and time to do properly, MEPD will consider funding requests to hire appropriate external support for this purpose. The minimum qualifying criteria will be a positive pre-screening through the PCN. The PCN has a response box beneath the Summary Information in Row 7 where the proposers of large projects explain the need and the costs for external support. This is the place to apply for funding for these studies.

From the publication of these guidelines, feasibility studies must follow a standard template approach. This is part of a drive for better quality feasibility studies, and to do this, consistency in the way that information is presented to MEPD is now required.

Feasibility Studies must cover the following issues:

- ✓ Executive Summary Information
- ✓ Section 1: Purpose and Justification for the Project
- ✓ Section 2: Objectives and Desired Results
- ✓ Section 3: Option Assessment
- ✓ Section 4: Financial Assessment
- ✓ Section 5: Economic Assessment
- ✓ Section 6: Technical Feasibility
- ✓ Section 7: Environmental Assessment
- ✓ Section 8: Climate and Disaster Risk Screening
- ✓ Section 9: Social Impact Assessment
- ✓ Section 10: Project Risks
- ✓ Section 11: Implementation and Handover Arrangements
- ✓ Section 12: Project Monitoring and Evaluation

Large projects should also conduct a form of Cost Benefit Analysis (CBA) as part of the feasibility study. CBA is most commonly used in larger or more complex project appraisals. The technique enables a comparison of the costs against an estimated value of benefits, and risks, which can be expressed in monetary terms. Examples might include savings in energy or supply costs or even labor costs. Values can be estimated for a wide range of non-market price benefits such as environmental, culture and even mortality. As it might be expected, placing values on such specific gains is difficult, often highly subjective and as a result, controversial.

Non-financial benefits are often valued subjectively using a technique known as 'shadow pricing'. Shadow pricing is explained further in the Box below. Appraisers (most likely consultants in the case of Eswatini) should use their experience, the experience from international research adjusted to the local context and professional judgment to place reasonable values on different benefits.

Shadow Pricing[5]

In cost-benefit analysis, shadow pricing refers to the assignment of an estimated monetary value to an abstract benefit that is not normally quantifiable due to there being no market price. Therefore, a shadow

[5] International examples of shadow pricing can be viewed at:

price is assigned to benefits that are not bought or sold in a regular market environment. Using an example of the proposed refurbishment of a government building, the cost of the renovation can easily be estimated, as can some of the expected benefits, such as reduced running costs. However, some of the expected benefits, such as better collaboration among staff and increased productivity, are not easily quantified. Therefore, these benefits must be assigned a shadow price.

Whilst CBA is not an exact science, its credibility relies on transparency; on the assumptions being made; and the associated calculations so that they can be checked when being reviewed (see next section). The assumptions and references used in calculating these shadow prices need to be as objective as possible; relevant to the project aims; made transparent; and remain the same for each evaluated option.

As a general rule, the value of the benefits must be greater than the costs of achieving them.

Climate Change Considerations

Initial consideration of climate change needs to be made at the PCN stage, and then for larger projects, the Feasibility Study should undertake a deeper analysis. This is because whilst most projects affect the environment in some way and can be affected by climate change impacts (mainly extreme weather) the negative impacts of large projects can be much higher and the consequences of being damaged by extreme weather likely to be more costly to society. Conversely, projects can contribute positively to climate change adaptation efforts, helping introduce measures to reduce the impact of climate changes.

At the PCN stage for all projects, alignment of the objectives of the project with the National Development Plan, sectoral plans and other planning documents, including those that relate to international climate change commitments, is critical. Eswatini has committed to reducing climate change (decarbonization) and to enhance its resilience to climate hazards (in both infrastructure and economic management).[6] Climate change mitigation or decarbonization strategies set out in the Nationally Determined Contributions should be considered in the identification and design of projects before screening. As with regulations promoting climate adaptation, regulations to support decarbonization should be considered early in the design and appraisal stage. For example, green building regulations can promote the use of more carbon-neutral materials and raise the energy efficiency of a building by reducing air conditioning requirements. Land use regulations are vital for protecting carbon-absorbing natural areas such as forests, nature reservations, and wetlands. Preserving forest cover and indigenous vegetation

1) Developing Harmonized European Approaches for Transport Costing and Project Assessment (HEATCO)
http://www.transport-research.info/web/projects/project_details.cfm?ID=11056
2) Update of the Handbook on External Costs of Transport
http://ec.europa.eu/transport/themes/sustainable/studies/doc/2014-handbook-external-costs-transport.pdf
3) International Comparison of Transport Appraisal Practice (Appendix B to overview report)
https://www.gov.uk/government/publications/international-comparisons-of-transport-appraisal-practice
4) Environmental Valuation Reference Inventory (EVRI)
https://www.evri.ca/Global/Splash.aspx

[6] These commitments are laid out in its October 2021 Update of the Nationally Determined Contributions of the Kingdom of Eswatini; they are further integrated into (Chapter 2 of) its National Development Plan for 2023/24–2027/28, which aims to achieve “green growth for economic recovery, sustainability and resilience” (Government of Eswatini 2021b, 2023b).

often also plays a role in carbon sequestration and water management. In accordance with the national Climate Change Management Bill (§4), all public institutions in Eswatini have a role in ensuring that adverse climate effects are prevented and minimized in policy development and national planning.

Many large projects can, moreover, also contribute significantly to increases in greenhouse gas emissions. In such cases, it is crucial to integrate climate change mitigation or decarbonization plans into the project identification and design phases from the outset**.** The economic externalities of climate change impacts, such as a project's net carbon emissions, should be estimated and valued in the project feasibility study.

Key questions that should be asked during project appraisal include (but are not limited to):

1. To which extent may a project or program be vulnerable to the risks of climate change?
2. To which extent have those risks been considered when the project or program was formulated?
3. What impact will the project have on the causes of climate change?
4. What could be done to mitigate the negative effects of the project, if any, on climate change?
5. To which extent may vulnerabilities increase, or positive opportunities be missed?
6. If the project identification process is revised, would could amended to address climate risks and opportunities?

Affordability and Fiscal Impact

Affordability should always be considered when developing and selecting options. The extent to which different options are affordable can influence option selection therefore it is not usually sufficient to restrict consideration of affordability to a 'preferred option'. All short-listed options should be considered for affordability. FS / appraisals should be supported by two financial statements for the preferred option. These are:

- ***Cash flow statement:*** the required timing of expenditure and receipts if the project goes ahead.

- ***Funding statement*:** the source of financial resources required to complete the project.

Regarding the cash flow statement:

1. The project's cash requirements should be set out in full, year by year, for the life of the project:
2. Cash projections should be sufficient to cover all project disbursements including allowances for contingencies:
3. Prices should be shown in up to date market prices:
4. The timing of any receipts following implementation should be included; and,
5. Care should be taken to reflect the fact that most often projects start or complete **during** the fiscal year rather than exactly at the beginning or the end meaning that expenditures and revenues in the first fiscal year may appear distorted when compared to the appraisal projections.

Regarding the funding statement:

1. Indicate **all** the proposed sources of funding, including, *for example*, public expenditure, private finance, international development funding (grants / loans) and so on;
2. Provide a detailed breakdown of the proposed funding, showing the expected amounts by source and their phasing over time;
3. Indicate how firmly committed to the proposal any external sources of funding are, together with relevant information on any interdependencies between funding commitments or preconditions of offer (co-funding). The level of commitment should be backed up by a letter of support or commitment from the development partner's senior management to the ACMS Unit.

Preparation and Implementation Resources

Project owners of large or complex projects should consider what additional human or financial resources they need to invest in the further preparation of the project. This may mean for example that for specialized activities and advice, the services of external advisers may be required. **Does the implementing authority have experience of similar previous projects or is this new to them?** This question is particularly relevant in the case of complex models such as PPP implementation. In cases where it is clear that internal resources are inadequate, the need to bring in external assistance should be discussed. Requests to cover the costs of all external advisory services should be included in the space provided in the PCN template.

Money invested in the preparation is an investment in the quality of the finished project

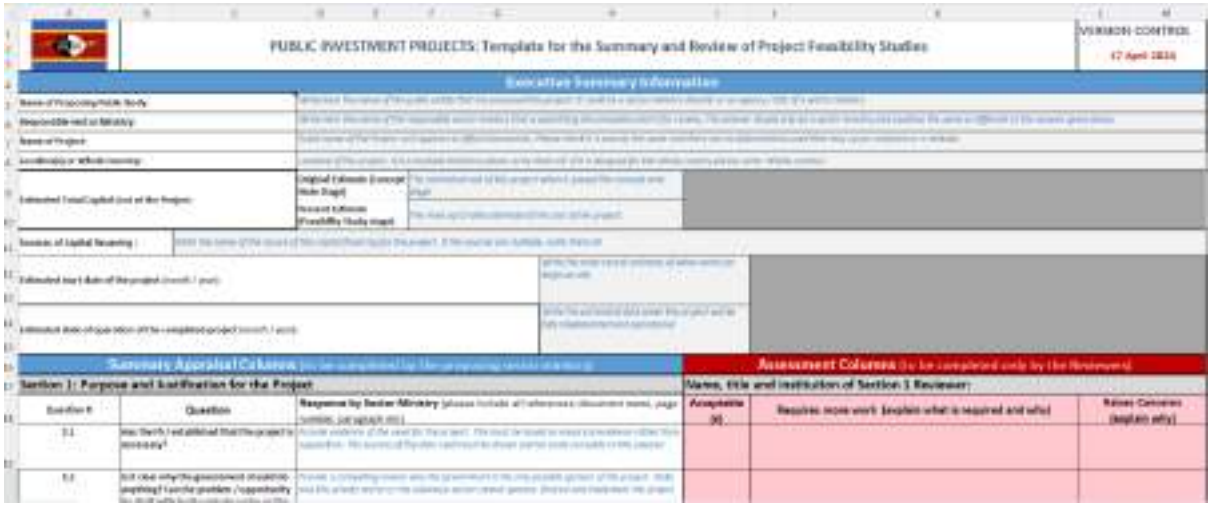
Review of Feasibility Studies

One of the most successful innovations in PIM good practice in the last 20 years has been the increasing adoption of a formalized independent review of appraisal (Feasibility studies). The purpose of the exercise is to discover bugs and errors in the feasibility study that can be fixed before they have time to cause problems in the project's implementation.

This practice is not unique to the sphere of governments. Academia uses peer review (a form of independent review) to check that scientific studies are in order before they are published. Similarly, private enterprises employ a similar technique which they refer to as 'due diligence' to ensure that investment decisions are checked for possible errors or exaggerated claims. Therefore it is sensible that this practice is adopted for reviewing feasibility studies in Eswatini for public investment projects.

As with the appraisal in the Feasibility Study, the review process is standardized and templated (see Annex 2)**.** This is part of the drive to improve quality in the project preparation and approval process through consistency.

In common with the template for the PCN, the template for reviewing appraisal, in MS Excel, is formed of two parts. The left-hand side of each page consists of questions under each of the sections of a feasibility study as already outlined. There are then some words of instruction for each question. The project owner overwrites this when answering in the space provided.


PUBLIC INVESTMENT PROJECTS: Template for the Summary and Review of Project Feasibility Studies

The right-hand side of the page entitled the 'Assessment Columns' is for the MEPD reviewers to complete. In this way, the question, the response and the assessment can all be seen on the same page. Any column shaded in pink should not be filled by the project owner. There are only three possible assessment outcomes from MEPD: (i) **Acceptable**; (ii) Requires more work; or (iii) Raises Concerns. In order for a project to receive a successful outcome, all responses to the questions must be judged as **'Acceptable'**.

When a question requires more work, the MEPD must be clear about what extra information is required; based on this the project owner would be expected to address the issues at hand.

When a response to a question raises concerns, this should be considered a potential 'show-stopper' - a project is unlikely to receive approval with this mark against it. The MEPD must explain in some detail (in writing) what the issue is, and why it raises concerns. It must then explain what information or evidence is required from the project owner in order for the project to progress further.

A positive review to a feasibility study allows it to progress to the next stage of the PIM process: prioritization.

10. PRIORITIZATION AND RANKING OF PROJECTS

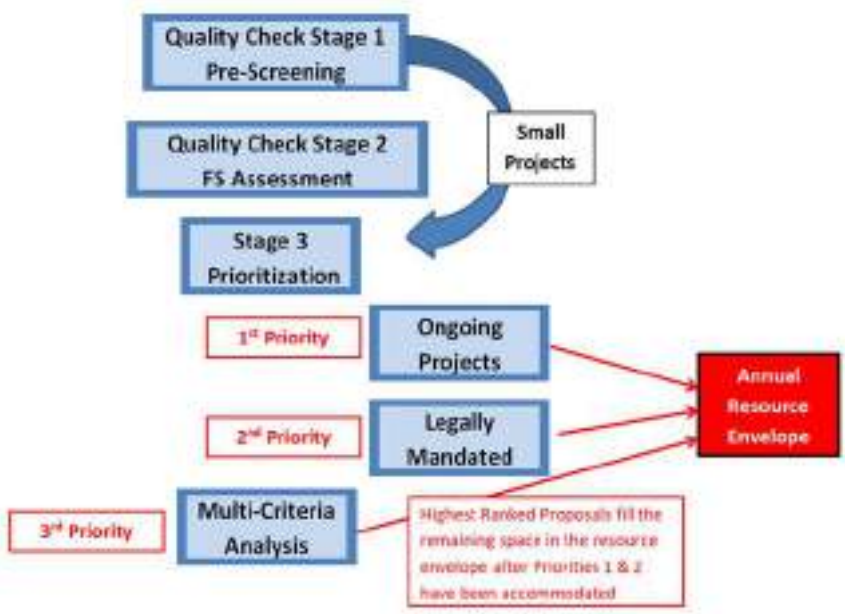
Prioritization is required when there are more projects seeking funding than the funds available at the start of a budget year. Not all projects can receive funding when they need it and not all projects that have been approved through the PCN (small projects) or following a feasibility study (large projects) will be able to be funded. The chosen method for prioritization and ranking is through Multi-Criteria Appraisal (MCA) already explained in an earlier section. The procedure awards points based on the criteria and the competing projects are ranked according to the scores they receive. This section explains the rules by which it is carried out.

Prioritization and ranking applies to new project applications only since ongoing projects will first be prioritized[7]. Secondly, new projects that are mandated by law[8] (if any) will be prioritized. After that, the other projects will be entered into the Prioritization procedure.

Prioritization can be considered a further quality step. This is because it aims to choose only the best projects for immediate implementation. Using the MCA methodology, this time instead of making comparisons between different implementing options for individual projects, all new projects are compared to one another. The end purpose is to rank all projects based on the criteria decided on by the government. The diagram below shows how Prioritization can be considered a third stage quality measure in the system.

[7] See next section on Budgeting Issues

[8] Changes to regulations may require supporting investment in social or economic infrastructure. This could refer to projects that are required to comply with environmental regulations for example.



Eligibility for Inclusion in the Prioritization Process

The key rule for projects to be included in the Prioritization Process is that they should have passed successfully through the appropriate procedures as outlined in these guidelines.

For clarity this is as follows:

	Small Projects	Large Projects
Procedures Passed	Pre-screening / PCN	Pre-screening / PCN
		Review of FS / Appraisal

Projects that have not been approved through these processes will not be admitted to the prioritization process. Admission to the Prioritization process does not guarantee funding in the current year; this is totally dependent on the amount of capital funding available at the time.

Selection Criteria

In order to ensure transparency on how projects are prioritized and ranked, a set of criteria are devised. Additionally, the relative importance between the criteria - known as the 'weighting' will need to be decided. Both the criteria and weighting may be changed on an annual basis. These should both be declared and published with the budget documentation.

A number of key principles should guide the process. These are summarized below.

Guiding Principles for MCA design for Prioritization

The process of prioritization should begin by asking the sector ministries to rank their proposals for new projects by their own priority. Rather than taking an entirely centralized decision on selection, it is useful to understand the sector priorities of the budget agencies – since they are most likely to be the best judge of the demands of their sector.

To avoid complexity (and also in the interests of transparency) the number of selection criteria should be maintained at a manageable level. Large numbers of selection criteria may increase the administrative burden of the prioritization process and the risk of mistakes.

Many of the most obvious criteria will already have been satisfied in the preceding quality stages – the PCN and review checks on feasibility studies. They should not be repeated in the MCA.

Like all methods of appraisal, MCA can be subjective – the challenge is to limit the degree of subjectivity and to create a transparent and open system of scoring. Development of criteria and the weighting should ideally be done in a 'workshop' environment as part of the budget planning process and include a diverse range of senior stakeholders. This, however, should remain an MEPD function primarily driven from the sectoral divisions.

Scoring of projects should be carried out as a separate exercise to the decisions on criteria and weightings; and by different people. This is to avoid a conflict of interest which might allow the criteria and weightings to be manipulated by those who conduct the scoring. Whilst the choosing of criteria and weighting is largely guided by political priorities, the scoring should be considered a technical exercise

The initial criteria and weighting to be used have been chosen based on typical criteria used in many other countries. They may need to be adjusted based on conditions specific to Eswatini.

The Prioritization and Ranking template

The template (at Annex 3) **has been developed as a MS Excel Workbook for maximum flexibility.** It essentially comprises of a scoresheet for each submitted project and contains the initial criteria and weighting. Once the scores have been entered by the scoring committee members, the calculations leading to the ranking of the projects are done automatically. The structure and key features of the template are illustrated below.

Workbook Structure of the Prioritization and Ranking Template

Worksheet	Description
MCA Criteria	This worksheet includes the criteria and weights, their description and points awarded. It is likely that the current criteria and weighting will be adjusted in the future with the benefit of practical experience.
Project scoresheets	Each Workbook has scoring sheets for 10 projects and each project can be assessed by up to 11 scorers. These can be expanded if required. The scores on the right-hand side of the worksheet are automatically calculated from the inputs of each scorer.
Aggregate scores	Once the project ranking has been completed, MEPD will match the prioritized projects against the available fiscal space and funds from external sources.

The aggregate scores are presented in the named tab in the workbook. A final manual step is required to produce the final ranking. The way to do this is clearly explained in the worksheet. An illustrative example of the end product is shown below.

Rank	Project	Total Average score	Total Weighted Score	Capital Value (SZL)	Cumulative Capital Value (SZL)
1	4	9.64	1.90	45,000,000	45,000,000
2	10	9.00	1.84	35,000,000	80,000,000
3	1	9.73	1.83	5,000,000	85,000,000
4	6	9.36	1.79	29,000,000	114,000,000
5	8	9.00	1.70	75,000,000	189,000,000
6	7	8.64	1.69	38,000,000	227,000,000
7	9	7.36	1.63	60,000,000	287,000,000
8	2	7.91	1.50	15,000,000	302,000,000
9	5	7.91	1.44	48,000,000	350,000,000
10	3	7.09	1.35	24,000,000	374,000,000

Note: in the illustration above, if fiscal space available for new projects was E300m, the first 7 ranked projects could be selected for funding. If an additional E2m could be sourced this would also allow the 8th ranked project to be funded in addition.

Governance Rules for the Scoring Committee

Scoring Committees are considered technical committees and should be drawn from a broad range of project specialists. It should be chaired by; and have a majority of its members from, MEPD and MoF. Vested interests in any of the projects in the prioritization procedure should be declared by individual members and they will be excluded from that particular Scoring Committee. They would ordinarily meet only once a year during the budget planning period.

In the interests of transparency, the minutes of a scoring committee should be recorded and published. The names of those in attendance and those with authority to score the projects should be recorded on a summary scoresheet. Visitors and observers' names should also be recorded. Although the scoring is done collectively by committee, it is possible that certain committee members may propose unusually high or low scores for their own reasons. If this happens it should be noted in the minutes. The knowledge that this is going to happen will likely moderate any tendency to push personal views too hard.

11. BUDGETING ISSUES

Ongoing Projects

Under ordinary circumstances, projects that are already under implementation (multi-year projects) should be given preference in the budget. This to ensure that the benefits can be accessed as soon as possible; therefore available funding will be targeted towards them.

Projects that are in preparation (FS etc.) but have not yet been approved through the appropriate procedure are NOT considered to be under implementation – they are 'under preparation'

The exception to the principle of giving preference to ongoing projects is when monitoring of the project indicates problems with the implementation. Funding may be paused if evidence of poor management or mal-practice is found.

Initial funding allocations for Feasibility and other Studies

It is accepted that better quality projects require investment in the preparation stages of a project. When feasibility studies or environmental assessments are commissioned, the costs can be high and often out of reach under the project owner's normal budget constraints. Therefore MEPD will now consider making allocations available to cover these study costs. The condition for doing so is that requests must be made through the PCN and that the PCN pre-screening is successful.

In-year re-allocations

When budget allocations are confirmed at the beginning of the fiscal year, they are done so on the expectation that they will be fully disbursed. Due to a number of factors, this may not be possible. Delays in the procurement process or in the acquisition of goods and services to support a project may slow down the rate at which allocations are spent. Monitoring of expenditure commitments will reveal which projects are spending at a slower than expected rate and those that are spending at a faster than expected rate. When this is the case, MEPD/MoF will adjust the allocations so that the faster performers can benefit from more funds when they are needed, and that unused funding does not go to waste at the end of the year. These allocations shall, however, always be made in accordance with the PFM Act 2017.

In-year re-allocations of funding from slow to faster moving projects can be made effectively using data from monitoring reports. This is an important means of improving the effectiveness and allocative efficiency of the annual capital budget as a whole and for avoiding any underspending of allocations. A system of re-allocation between slower and faster moving projects ultimately benefits all sectors and spending authorities, but it relies fully on accurate monitoring data provided by those same authorities for it to work. Such re-allocations represent in-year adjustments to implementation plans and must be justified and authorized as well as being recorded.

Transfers to 'faster moving projects' must not be used as a means for unauthorized increases in the total estimated cost of a project. Frequent re-allocations and those submitted in the first quarter of the financial year within sector ministries may be indicators of poor project planning. Additionally, this practice does not create an environment conducive to improving implementation planning.

Re-allocations also must not be used as a vehicle for introducing new projects that have not been authorized. Re-allocations should therefore be limited and used responsibly. They should be the exception rather than common practice.

12. ARE PROJECTS REALLY READY TO BE IMPLEMENTED?

The problems caused by allocating funds to projects that are not ready

Wholesale in-year re-allocations are a symptom of broader problems in the PIM system. In a smooth working environment where everything is planned in the finest detail and all risks are mitigated it shouldn't be necessary. The key to minimizing this is to take further measures to ensure that when projects are prioritized for funding, they are **'ready to go'**.

If a project is not ready to be implemented and is allocated funds, it will be difficult to spend those funds. Instead they run the risk of being un-spent, whilst other projects that may have come close, but unsuccessful in the prioritization procedure, are left disappointed. The MEPD therefore has the responsibility to ensure that the best advice possible is provided to decision-makers about project allocations.

It make sense in all walks of life to make a final check before a course of action is started that cannot easily be corrected in the event of discovering a mistake – imagine an airline pilot forgetting to make his last minute checks before take-off. Therefore these Guidelines introduce a Readiness Checklist which should be completed and then checked by MEPD prior to the final recommendation to allocate funds.

Readiness Checklist

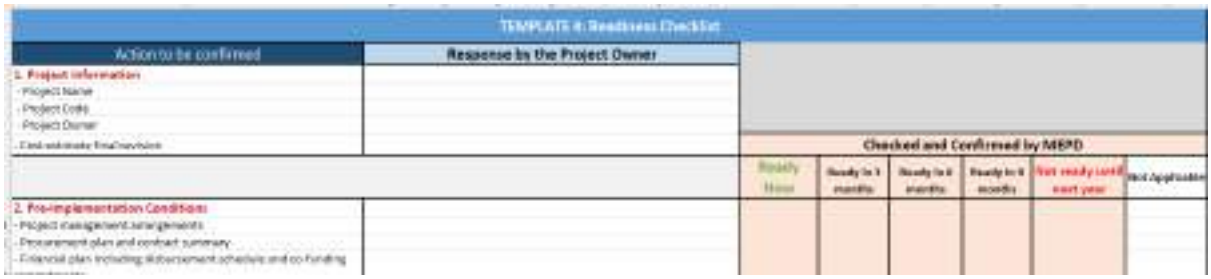
The Readiness Checklist comprises a long list of issues whose status should be confirmed by the project owner to the MEPD. The issues on the list are familiar causes of delay and they should be addressed prior to the project getting the funding and work commencing. The checklist comprises of only 3 sections plus a final section for concluding the assessment. The checklist follows the same format of Templates 1 and 2 where the page is split into a left-hand section for question and response by the Project Owner and the right-hand column for MEPD's assessment. The layout is as follows:

Section 1: Project Information

Section 2: Pre-implementation Conditions

Section 3: Implementation and Monitoring Plan

The headers for the template are illustrated below.



13. IMPLEMENTATION

The implementation phase of a project is where the theories about the project laid out in the preparation phases, become reality. For this reason, it can be said that problems faced during the implementation phase can be traced back to the work done (or not done) in the preparation stages.

The best way to ensure smooth implementation, is to dedicate adequate time to prepare the project fully and to ensure that all plans and assumptions are independently quality checked prior to the implementation of the project. Problems that come to light during implementation are most often indicators of poor or inadequate preparation.

The section provides guidance on the most common of the implementation challenges. These are to ensure that:

- public works and associated service activities are implemented efficiently and effectively, and contracts are properly managed;
- projects are delivered on time, to budget and in accordance with design specification and are compliant with construction codes and all other relevant regulations;
- implementation progress is monitored against implementation plans;
- any deviation or emerging problems are identified early and transparently, suitable solutions are put in place in a timely fashion; and
- where necessary, projects are adjusted to reflect changed cost, scheduling, and demand conditions, including possible termination, if this is the most economically efficient solution.

Reporting and Monitoring

Project implementation matters should already have been elaborated in the documents required during the design and approval stages. Planning for implementation begins early in the design of the project. Consideration of the means of implementation and scheduling needs should be developed as early as the PCN. When required, the feasibility study fully develops the implementation plan. Finally, the completeness of all issues relating to implementation are checked in the Readiness Checklist. The realism and practicality of the proposed implementation plan is one of the key areas of independent checking which is required for the approval of the feasibility study, without which approval, a project should not be implemented.

Organizational arrangements and responsibilities for managing project implementation:

In addition to the overall project governance and management arrangements, previously covered, specific management arrangements should cover the implementation period. The level of sophistication may vary based on project size; for the simplest or very small projects a full-time project team may not be required. However, accountabilities and responsibilities need to be clearly understood, covering:

- who is accountable at the senior management level of the project owner for making decisions. This will vary depending on the project size and could be an individual or a group such as the 'Project Team';
- who is responsible for managing project delivery (time, cost and quality) according to the plan agreed with senior management;
- who is responsible for monitoring the implementation;
- what decisions are delegated to the project manager, what deviations from plan can be decided at this level and what level of deviation must be escalated to senior management;
- what level of deviation would require a project review;
- reporting obligations (type and frequency) from the lower to senior management level.

If the project owner lacks the capacity to perform some of the roles in full, additional human resources may be contracted in. This may be in the form of individual consultants or consulting companies. It is important however, that they are integrated into the organizational arrangements for the project and that the precise roles, exclusions (if any) and any decision making capacity are explained in the Terms of Reference for the procurement procedure that hires these external resources.

A common error is to rely too much on outsourcing of the project management, even at senior levels. This makes monitoring difficult to evaluate and results in inadequate internal control over project implementation. Senior managers may also lack the necessary skills to perform their roles effectively. If this is evident, then external training in advance of the implementation must be organized to ensure that they have sufficient knowledge and skills to fulfill their duties under the project.

Initial activities

The project implementation team should begin implementation by focussing on the implementation plan. The essential parts of this should have already been prepared and reviewed for realism, first in the PCN, then the feasibility study (for large projects) and finally in the Readiness Checklist, prior to approval. Typical activities under the main components of project implementation can be viewed in the Readiness Checklist at Annex 4.

By the time funds are approved, procurement planning should be finalized and 'ready to go'. This is when realism takes over; poor planning can lead to over-optimism about the time taken to get a procurement process started and then to conclude it to the point where a contract is awarded.

Mobilization is never instant. The project schedule should allow a reasonable amount of time for mobilization between Contract Award and Works physically beginning on site. The contractor will advise the project owner of its timeframe in its bidding documents. The project owner should then adjust its project schedule accordingly if necessary.

Monitoring the Implementation Plan

What is Monitoring?

> *'... the continuous assessment of project implementation in relation to agreed schedules ..... It is an integral part of good management by a project implementing agency. Its main objectives are to provide continuous feedback on implementation, and to identify actual or potential successes and problems as early as possible to facilitate timely adjustments to project operation.'* [World Bank Operational Manual]

There are different types of 'monitoring' and the purpose of each may be misunderstood from time to time. In order to provide clarity, the three main types are described as follows:

1. Implementation monitoring: monitoring the performance of individual projects during the implementation period in terms of cost, time and quality / compliance parameters;
2. Public Investment portfolio monitoring: the monitoring of all public investment projects at their various stages of maturity from pre-screened projects through to those in

implementation and those that are completed and in operation. This work is usually done centrally and can be largely automated with the support of an IT platform or system;

3. Performance monitoring: to evaluate whether or not (or to what degree) individual projects are fulfilling their original objectives. Therefore this refers exclusively to projects that are already in operation. Performance monitoring is often referred to as 'ex-post evaluation'. This type of monitoring is also done to establish whether a project is efficient, still relevant and if operations can be sustained so the right decisions can be made.

This section refers only to the first type of monitoring 'Implementation Monitoring'.

Financial and physical progress (together with quality assurance / compliance) should be closely monitored throughout a project's implementation. Monitoring should provide early warning of any implementation problems and ensure that such warnings are followed up. This is a good general definition but does not capture the variations in frequency or detail of monitoring activities.

Monitoring reports should be completed for individual projects according to the MEPD Reporting Template at Annex 5. Monitoring reports should be completed and submitted **every 3 months** unless a higher frequency is requested by MEPD, usually due to a challenging situation within the project. Monitoring differs in intensity because information requirements vary according to the size of the project and because of the differing roles and responsibilities of different organizations at different levels of public investment delivery. Organizations at the center of government, like the MEPD and MoF may require different information from the project manager at any time. That is why a templated, consistent format is mandated.

MEPD, with its PIM mandate, is responsible for gathering / receiving all monitoring data, and it is good practice to only gather the data once. This means therefore that MEPD will be the central reporting point for all public investment project reports. The MEPD will inform project managers of the required frequency of reports. This frequency may be changed (increased) during times of stress, or due to challenges with individual projects. All other central agencies with an interest in the monitoring data from projects will be able to access it from MEPD. Reporting once to a central entity frees more time for project managers to manage their projects.

MoF with its budgeting role and its guardianship of the public finances, also has a keen interest in the progress of projects. It may be more concerned with the aggregate picture and less concerned with day to day progress on individual projects, except in the case of major projects with significant fiscal consequences, possible over-spends or where value for money might be threatened by inadequate implementation. This is particularly so on large projects where a sizeable possible project overspend represents a fiscal risk.

A good monitoring system can only be built on reliable information flows between project managers and the senior management of the project owner and MEPD. Basic summary information on individual projects needs to be available to: (i) identify potential problems early on; (ii) request more information; and (iii) if necessary, solicit remedial action.

Project monitoring should test that defined control limits remain 'on-track' throughout the implementation period. They should highlight when projects have exceeded or are in danger of exceeding the following parameters:

1. **Time / physical progress** – agreed maximum variances against milestones
2. **Cost** – agreed maximum variances against planned budget
3. **Quality** – incidences of variance against quality targets and **Compliance** – against all relevant national codes and regulations

1. Monitoring Time / Physical Progress

Monitoring of physical progress is necessary to assess the actual physical work done compared to the plan. It should examine any unusual gaps between financial and physical progress. Discrepancies between the financial plan and the level of physical execution[9] are a strong indicator of implementation issues and should attract the attention of external monitors[10].

Projections for financial and physical progress are expected to be broadly similar. Variations would normally only occur if advance payments were needed (for example as a deposit to order specialized equipment) or in the event of pre-agreed un-even payment schedules. However these issues should have been anticipated and planned in advance during the cash-flow planning, as part of the overall implementation plan.

Monitoring physical progress is best done using project implementation 'milestones'. This is preferred to the alternative measurement method of 'percentage completion', as this is difficult to measure and is easier to manipulate. A milestone is the achievement of a significant step in the project, usually the completion or acceptance of an important component of the project. Milestones indicate that the project has reached a status that is readily recognisable. This is usually based on completing an important project management stage, or significant progress with construction work. A milestone should be clearly indicated in the project plan and the contract; and these are then used to monitor physical progress.

[9] For example, if a project has spent more than 50% of the approved estimate but with less than a half of the work physically complete, this should raise questions.
[10] External to the project – most likely to be MEPD.

The number of milestones depends on project complexity and duration. A relatively straightforward project with a short implementation period will have few milestones; a complex project with a multi-year construction period could have many milestones. The key information to include when monitoring against project milestones is:

- name of the milestone
- planned completion date
- expected completion date
- deviation from plan
- explanation for deviation
- remedial actions where deviation exceeds pre-agreed limits[11]

There can be contractual milestones or non-contractual milestones. Contractual milestones are defined in the contract; and non-contractual milestones are not – they serve only as project management checks. Contractual milestones are usually linked to payments by the project owner to the contractor – which therefore need to be made against certified completed activities which need to be signed off by the 'site agent' on behalf of the authority (See Site Agents and Interim Payment Certificates sub-section below).

2. Basic Cost Monitoring

Routine reporting and monitoring should simply use the Reporting Template at Annex 5. Cost monitoring needs to follow the already existing and quality-checked implementation plan. Implementation plans may need to be adjusted in the light of challenges in the implementation phase of projects. When this affects the cash-flow requirements of the project, the Project Manager must inform the Project Committee, which must inform both MEPD and MoF Budget Department at the earliest opportunity rather than wait for the next reporting period.

For multi-year projects, the budget preparation process requires financial plans for projects to be prepared and updated using monitoring data. MoF needs to be able to establish the level of expenditures required to meet forward commitments to ongoing projects, early in the budget preparation process. This allows it to identify any available fiscal space that could be available for new capital projects. Updated expenditure plans for ongoing projects therefore need to be provided by the sector ministries as early as possible and once instructed to do so. These must take account of actual expenditures and commitments since the last update.

3. Quality and Compliance Monitoring

Whilst time and cost monitoring are the essentials; quality and compliance monitoring is also important. Even if a project is delivered on time and within budget, if the quality of the work is substandard it could jeopardize the ability of the project to deliver its intended results. It could also, most likely, result in unexpected additional maintenance costs for the project owner over the project lifetime. Since neither of these outcomes is desirable, the importance of monitoring the quality of the work being undertaken, should be apparent.

[11] Project managers should be allowed to make decisions within pre-agreed deviations from plans, these are the agreed 'tolerances'. However, larger than agreed deviations must be escalated to higher authorities.

Quality monitoring also covers the requirement for projects to comply with all standards, technical codes and applicable regulations. The approved design of the project will already have taken into account the need for this compliance, so it is the implementing authority's responsibility to ensure that the integrity of the design with all compliance aspects are adhered to throughout the implementation and that the finished project is legally compliant and consistent with the approved design.

Site Agents and Interim Payment Certificates (IPCs)

Implementation supervision is often carried out by hired-in 'site agents'. These can also be referred to by other names such as 'client representative' or 'supervising engineer' but they all fulfil similar roles on behalf of the project owner. The site agent is hired either as an individual or through a consulting company and therefore will need to be sourced through a public procurement procedure. The site agent reports all monitoring findings to the Project Manager and identifies any deviations from plan whether it relates to time, costs or quality / compliance.

The actual gathering of data may be done by a site agent but it is the Project Manager that needs to verify its authenticity. Once the Project Manager is satisfied with the accuracy and authenticity of the data, this data / report should be submitted to the Project Committee. Once the monitoring report has been internally quality checked for accuracy and certified by the Project Committee, it should be transmitted to the MEPD for scrutiny and acceptance.

When Milestone achievements trigger a payment, the site agent issues draft Interim Payment Certificates (IPCs). These must be based on actual data with supporting physical evidence of achievement such as measured quantities or photos. They should be authorized by the Project Manager if they represent less than 10% of the annual budget and by the Project Committee if they are more than 10% of the annual budget. Great care must be taken to look for possible evidence of fraud or collusion with the contractor in the issuance of IPCs. Actual evidence of fraud or collusion will result in sanctions being imposed against those involved.

Do not allow small problems to become big problems. Monitoring, if it is done professionally, acts as an 'early-warning system' that will alert the authorities to deviations to the project plan, whether it involves costs, time or something else. Upon identifying small variations to plan, responsible officials at the project owners should attempt to identify the cause and propose rectifying solutions. This should form part of the monitoring report sent to the MEPD monthly. A good project manager will understand the importance, and the benefits of gathering regular monitoring data about projects and will report on time with transparent and truthful information.

Contract Management Issues

Most contract management issues can be dealt with by reference to the contract itself. However when the contract is ambiguous or if the contract is 'silent' on the issue involved, this

can lead to disputes between the project owner and the contractor. In these cases there are internationally recognized conventions for dispute resolution which have been shown to work. These are, in sequence:

1) Direct negotiations
2) Non-binding arbitration through an independent adjudicator appointed through agreement by both parties (often a technical expert)
3) Binding arbitration through another independent adjudicator (which may be a panel involving technical and legal experts)

Project Adjustments

A permitted variance level should be established for cost (budget) and for time (schedule) for each project. The MEPD and MoF may from time to time inform implementing authorities of the limits to permissible levels for projects that appear to be heading for an over-spend or finishing later than planned before an implementation review would need to be undertaken. For larger projects this may be broken down into components or sub-components. This will enable management to review and analyze variances, prompting timely recognition of any emerging issues or challenges so that they can be resolved.

When monitoring reports indicate that projects are going off-track, exceeding pre-agreed tolerances with respect to cost, schedule or specification - action must be taken. Where these deviations risk threatening the overall viability of the project, the Project Manager should, first of all, report the issue to the Project Committee and together discuss the options to take corrective actions. This may include fundamental adjustments to improve the chances of success. Projects in this condition are referred to as 'under stress'. If projects are so badly off-track that successful achievement of the project's objectives within reasonable budgetary and time constraints is no longer feasible, the possibility of terminating the project should also be considered.

Projects that are under stress may be called in for an independent review in an attempt to identify resolutions to the issues in implementation. Although the project owner would first attempt to identify issues and possible solutions, an independent perspective could cast new light on the issues identified. A full range of options for improving the performance of the implementation should be considered before recommending a resolution strategy. The project owner would then be expected to accept the recommendations of any review and implement the alternative strategy unless they are able to identify a fundamental problem with the recommended approach. They have the right to appeal the recommendation in this case.

If the cost increases are then shown to undermine the project's viability, there must be an adjustment. This can entail cost cutting through changes in the project scope, or even project termination. Savings from terminating failing projects can be considerable.

14. CLOSING OF COMPLETED PROJECTS

When a project reaches its physical completion, the project owner has to report it to MEPD using the Template at Annex 6. A Completion Report is required for all projects within 30 days of the project's physical completion. It is the responsibility of the project owner to do this. Once filled, the Completion Report is sent to the MEPD. This report is not simply an administrative exercise, as it aims to extract any lessons that could be learned from the preparation and implementation of the project. These lessons can then be shared with other projects as they are conceived in the future.

15. EX-POST EVALUATION

Ex-post evaluation refers to an assessment of the results of the project either when it has settled into a stable period of operation or when it has completed. This is because the idea is to understand the reality of the project and the true costs and benefits that have come from the investment. If this is done too soon, when the project is 'finding its feet' it is unlikely to paint a true picture; officials and staff will still be getting used to their new surroundings and circumstances. Only after a period of time when operations have stabilized and officials have become efficient at their work, is it the right time to conduct the evaluation. For more simple and smaller projects, this could be within less than a year of completion; or for larger more complex projects, more like 2-3 years.

Did things work out the way they were meant to?

Unlike a Completion Report, which applies to all public investment projects, ex-post evaluation applies only to a few selected projects. The reason for this is due to the resources required to do the work. Almost no country anywhere undertakes ex-post evaluation on all projects. Instead they pick out a few projects from which worthwhile lessons may be learned. Eswatini will follow the same approach.

So which projects get chosen for an ex-post review?

Examples of typical projects selected for ex-post review might include:

What?	Why?
Projects that belong to a program which runs over a long period of time	The lessons learned could benefit future similar projects in the same program
New technology based projects	To check whether the claimed benefits from the technology matched the reality
Projects that endured significant stress during their implementation	To learn what mistakes were made and devise policies and strategies to avoid repetition
Pilot projects	The lessons learnt can justify whether or not there is a need to scale up implementation.

Overall – Ex-Post Evaluation is not a control function; it is not a way to find people to blame but a way to learn lessons that improve understanding and prepares for avoiding future mistakes.

ANNEXES

1. Template for the Project Concept Note

2. Template for Feasibility Studies and their Review

3. Prioritization and Ranking Template

4. Readiness Checklist Template

5. Template for Implementation Reporting

6. Completion Report

7. Ex-post Evaluation