

Guidance for Important Elements in New Project Submission Format



Department of National Planning

Presentation Outline

1.Objective of the workshop

2.Additional Features of the New Format

3.Elements encountered with difficulties to fill up

4.Elaboration of identified elements with sector examples

5. Importance of stakeholder consultation

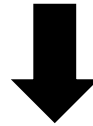
1. Objective of the workshop



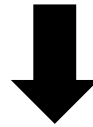
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The Circular (Circular No. MNPEA 02/2019 dated 10-01-2019) issued by the Ministry of National Policies and Economic Affairs

Awareness workshops conducted by the NPD



Received number of Proposals - new project submission format



The project proposals receive with incomplete information relevant to few sections of the format

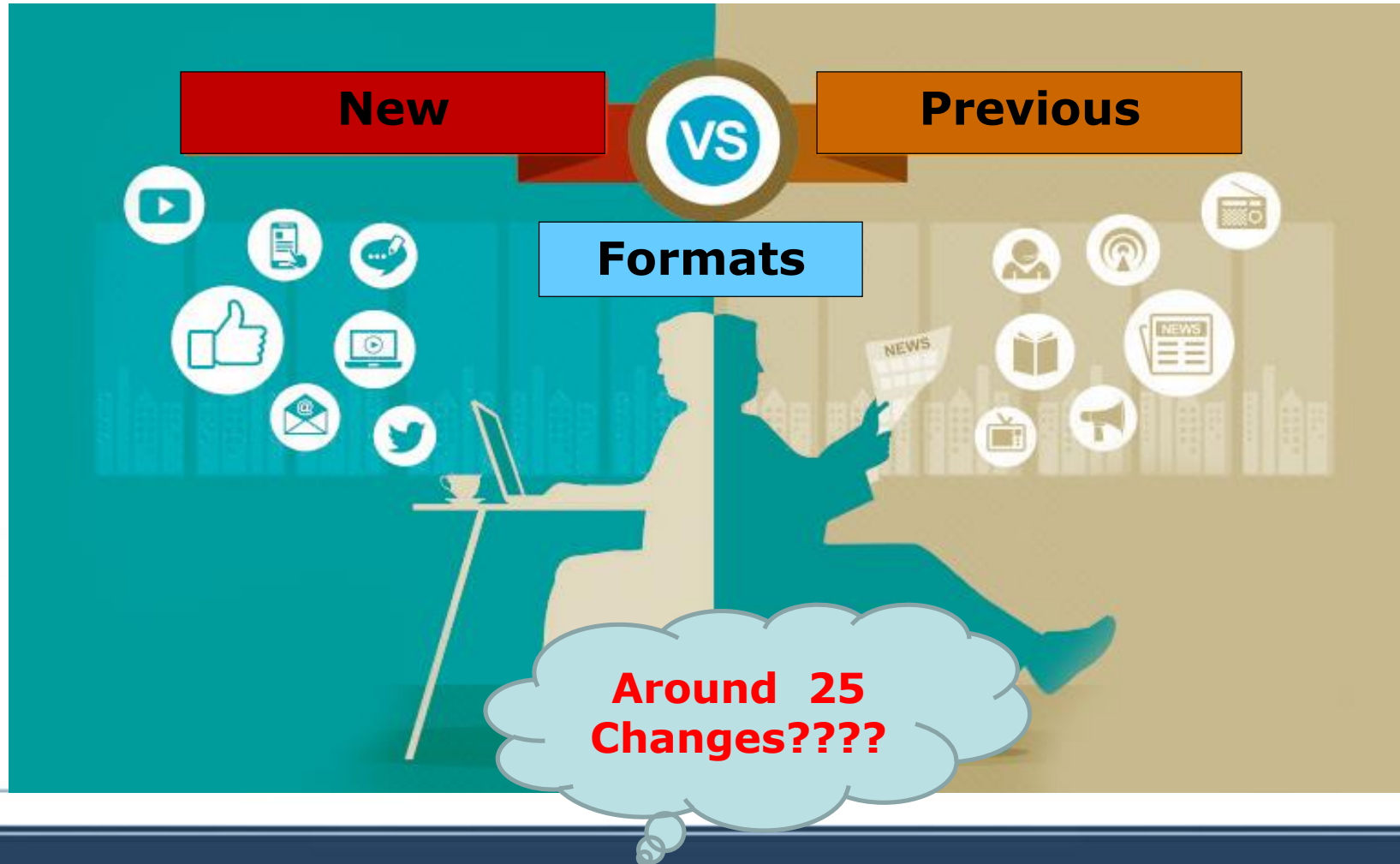


The NPD faced problems with appraising the project proposals



Objective- Knowledge sharing

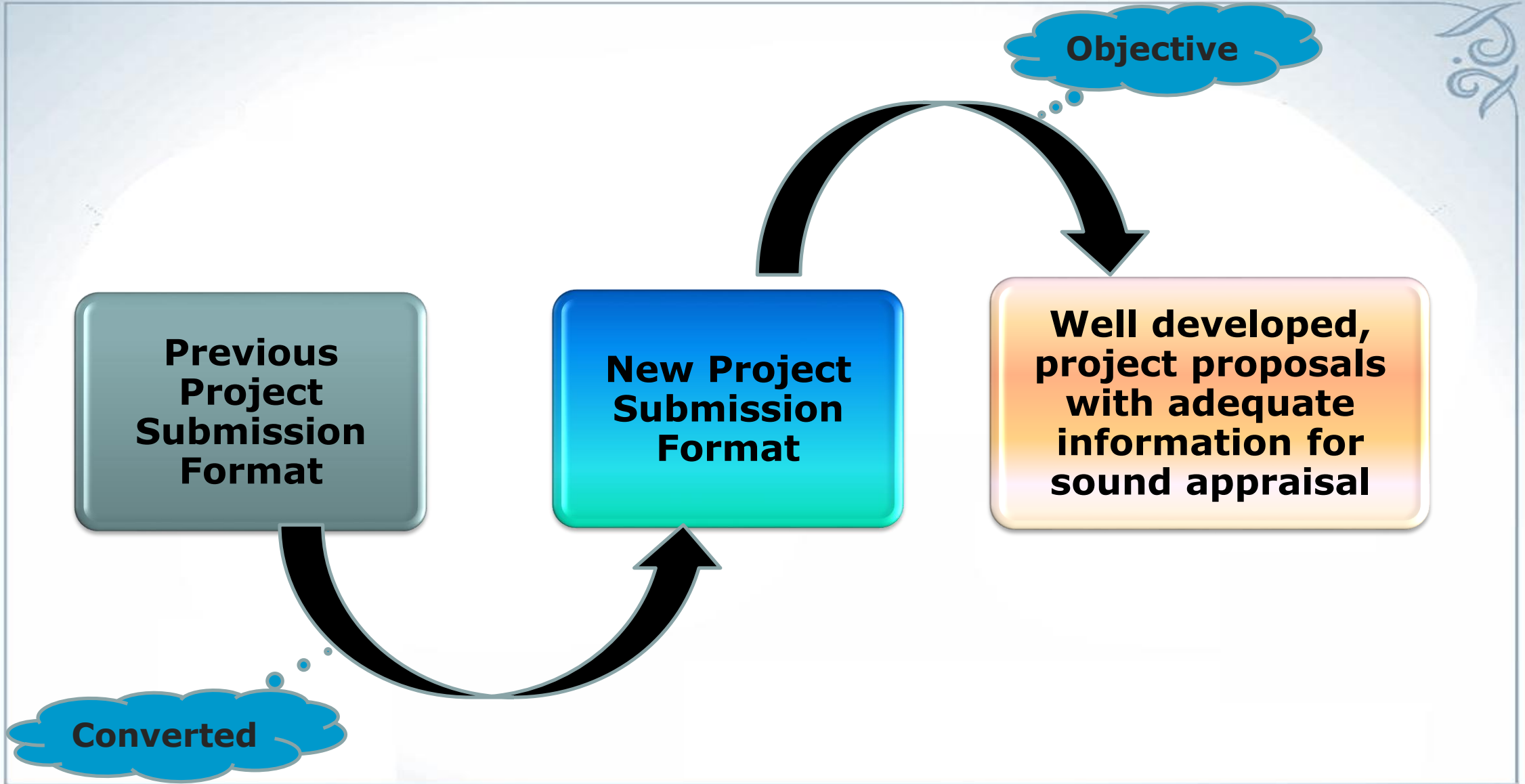
2. Additional features of the new project submission format



Reasons for amendments

- To provide a room for new developments
 - SDGs
 - Risk based approaches, rigorous social and environmental assessments
- Assure sustained inclusive economic growth - constrained fiscal space
- Prepare, select and **prioritize** strategically important projects
- To avoid delay in implementation - project readiness
- Data and information – to convince the funding agency to rationalize the project idea

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Previous Vs. New Format

| Component | Previous Format | New Format |
|--|---------------------------|--------------------|
| Land Requirement | ✓ | ✓ (Informative) |
| Project preliminary activities | X | ✓ |
| Rationale | ✓ | ✓ (Informative) |
| Coordination with stakeholders and partners | X | ✓ |
| Project Impacts, Outcomes and Outputs/Results Framework | Only Outputs | ✓ |
| Aligning the project objective/s with the relevant SDGs | X | ✓ |
| Potential Negative Impacts on Socio Economic activities and Environment by the project | Only Environmental Impact | ✓ |

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| Component | Previous Format | New Format |
|--|------------------------|--------------------|
| Risk and Assumptions | X | √ |
| Mainstreaming the Disaster Risk Reduction in to the project | X | √ |
| Project Monitoring and Evaluation Plan | X | √ |
| Project Budget | √ | √ (Informative) |
| Resettlement Activities | X | √ |
| Differently- abled Persons Perspectives | X | √ |
| Arrangements for sustainability, operation and maintenance after completion | √ | √ (Informative) |
| Economic and financial Analysis | X | √ |



3.Elements encountered with difficulties to fill up

- **Section 10:**Project Impacts, Outcomes and Outputs
- **Section 13:** Risks and Assumptions
- **Section 15:** Project Monitoring and Evaluation Plan
- **Section 23:** Economic and Financial analysis

4. Elaboration of identified elements with sector examples

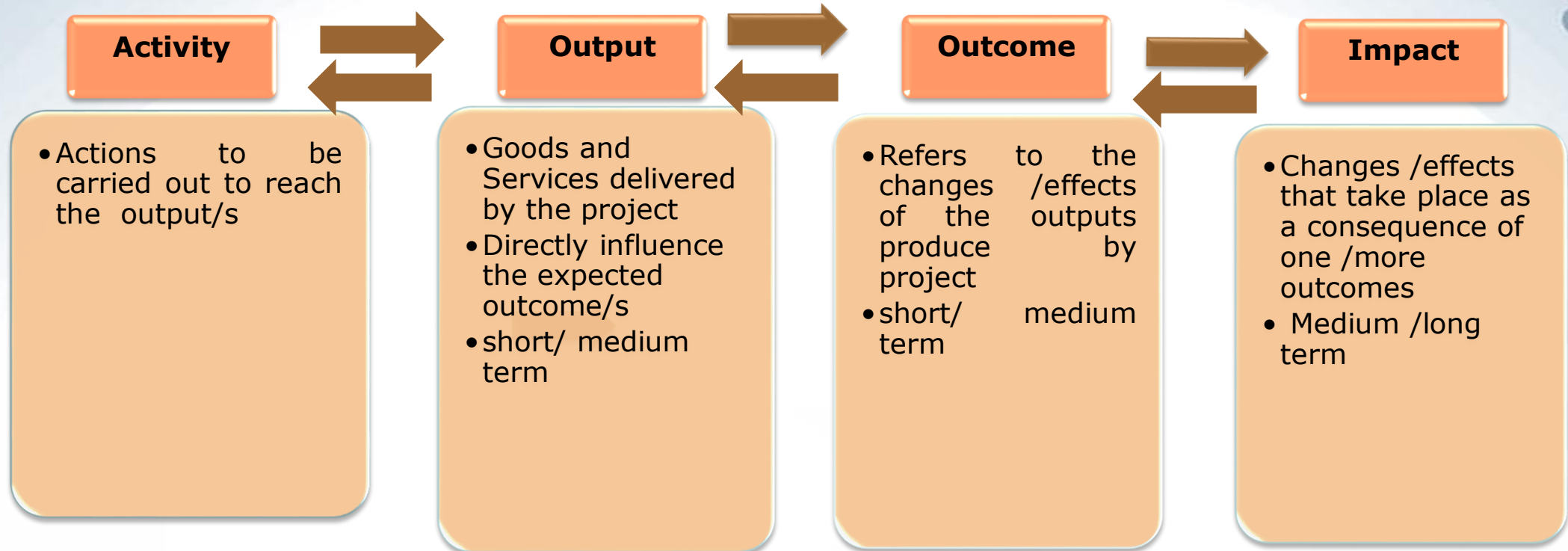
Everything has a solution.



Impact, Outputs , Outcomes ???????
Monitoring and Evaluation ???????
Financial and Economic Analysis ??????

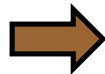


Section 10: Project Impacts, Outcomes and Outputs

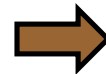


Begins with Activity and finishes at Impact or the vice-versa is possible.

e.g.
Construction of a water treatment plant in DS division X



Improved access to safe drinking water for people living in DS division X



Sustained reduction of water borne diseases of people living in DS division X



Improved quality of life

Sector Examples



| Sector | Activity | Output | Outcome | Impact |
|------------------|--|--|--|-------------------------------|
| Education | Provide laboratory equipment for school laboratories in Uva Province | Fully functioning resource enriched school laboratories in Uva Province | Improved competency among students of science stream in Uva Province | Improved quality of education |
| Social | Establishment of dedicated geriatric wards for the bedridden elders in Government hospitals | Improved access to geriatric care | Increased labourforce Participation of family members | Assured social security |
| Health | Establishment of lifestyle centers at MOH areas | Improved access to NCD care | Reduced prevalence of NCDs | Improved standards of living |
| Power and Energy | Installation of 10MW solar power plant at an industrial estate | Improved availability of low cost energy to utilize industries at an industrial estate | Enhanced production capacity of industries at an industrial estate | Increased GDP |
| Agriculture | Construction of two new reservoirs and connecting cascades with canal network | Ensured adequate irrigation water facilities | Increased crop (paddy and field crops) production | Increased food security |
| Transport | Purchasing and operating of two trains with air-conditioned facilities along the Northern railway line | Improved access to luxury train service | Saving of travel time | Improved standards of living |

Section 13: Risks and Assumptions

Risks

- The conditions that are less likely to happen (may or may not happen, uncertain)
- Negatively affect achievement of results
- Beyond direct control of the project

Assumptions

- The essential conditions to achieve results that are likely to happen
- Beyond direct control of the project
- Required for the success of the project

Mitigation Measures

- Effective mitigatory measures for risks to ensure achievement of results

Output : Improved access to safe drinking water for people living in DS division X

| Risk | Mitigation Strategy included in the Project Activities |
|---|---|
| 1. Adequate volume of safe water is available for distribution from the source | <ul style="list-style-type: none"> • Analysis of annual rainfall data and reservoir capacity |
| 2. Households are not able to afford the cost of house connection and tariff | <ul style="list-style-type: none"> • Assessment of affordability • Commissioning of tariff setting |
| 3. Inadequate number of skilled plumbers and shortage of supplies to make connections | <ul style="list-style-type: none"> • Training of plumbers |
| 4. Seasonal droughts lead to water shortages / non-availability of water | <ul style="list-style-type: none"> • Measures to improve the protection of the catchment area established and enforced. • National level interventions need to be planned to conserve available water |

**Output : Sustained reduction of water-borne diseases of people living in DS division
X**

| Risk | Mitigation Strategy included in the Project Activities |
|--|--|
| 1. Households use water from the new source in an appropriate and correct manner | <ul style="list-style-type: none">• undertake evaluation to assure proper utilization |
| 2. Water contamination at the user points | <ul style="list-style-type: none">• Ensure sufficient follow-up• Conduct periodical surveys |
| 3. Improper application of Hygiene and Sanitary practices promoted | <ul style="list-style-type: none">• Ensure sufficient follow-up• Conduct periodical surveys |
| 4. Households continue to use unsafe water from other sources | <ul style="list-style-type: none">• Ensure sufficient follow-up• Conduct periodical surveys |
| 5. Habits of use drinking water unchanged | <ul style="list-style-type: none">• Awareness programs• Periodical surveys |

Section 15: Project Monitoring and Evaluation Plan

To track the performances and the results of the project.

Monitoring Plan –

| Result | Indicator/ KPI | Unit of Measure | Source of Data | Means of verification | Frequency | Responsibility |
|--|---|--|--------------------------------------|--|-----------------|-----------------------------|
| Outcome/s | | | | | | |
| Sustained reduction in water borne diseases of people live in DS division X | Prevalence of water borne diseases will reduce by 75% by 2022 | No. of people affected with water borne diseases | Demographic and health survey | Health records at MOH office | Annually | MOH in DS division X |
| Output/s | | | | | | |
| Improved access to safe drinking water for people live in DS division X | Households with safe drinking water facility will be increased by 45% by 2022 in DS division X | No. of households with safe drinking water facility | NWSDB records | • Project records • NWSDB records | Annually | PMU & NWSDB |

Evaluation Plan

Consideration of previous evaluation lessons of similar projects during the preparation of this project. Describe.

e.g.

Due to lack of awareness , beneficiaries failed to utilize safe drinking water distributed by the water treatment plant established under the previous project. Taking into consideration of previous lesson, **an awareness programme** has been included into this project

Absence of demand analysis, lead to underutilization of drinking water facility provided by the previous project. Therefore, **a demand analysis** is included in to this project.

If any submit the Evaluation Plan

Section 23: Financial and Economic Analysis



Financial Analysis

Benefits and costs for an enterprise



Economic Analysis

Benefits and costs for the whole economy

Financial analysis

Major tools of financial analysis

1. Net Present Value (NPV)

The NPV is the sum of all of the discounted net benefits (benefits minus costs) associated with a project.

NPV > 0 → Yes

NPV < 0 → No

2. Financial Benefit-Cost Ratio

If benefits / costs > 1 → Yes

If benefits / costs < 1 → No

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3. Internal Rate of Return (FIRR)

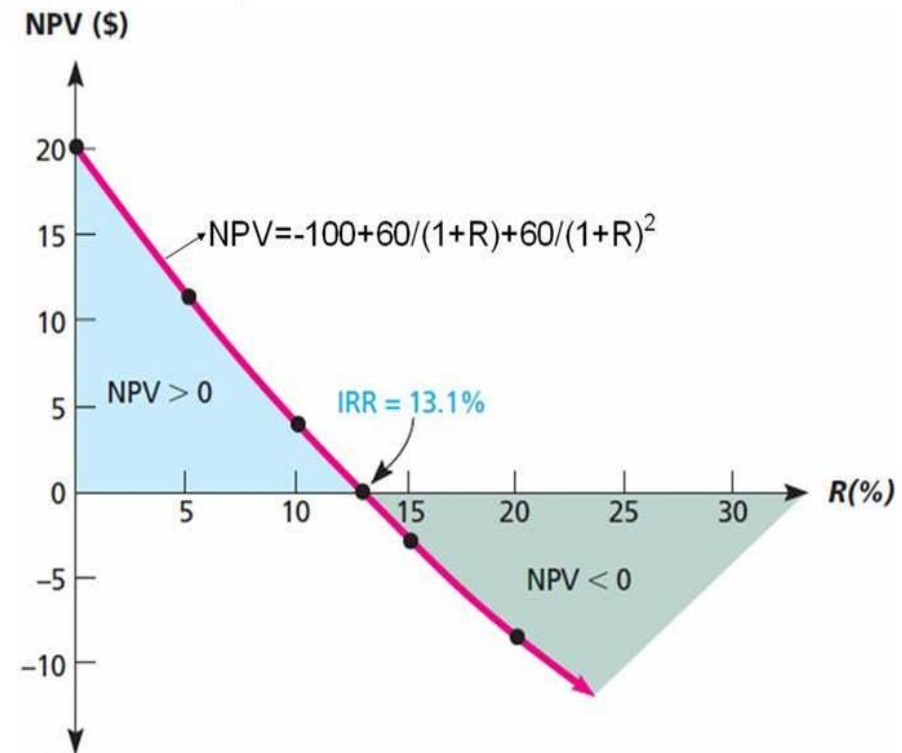
IRR is the discount rate ,
for which the NPV of a project is 0.

If IRR > opportunity cost of capital → Yes

If IRR < opportunity cost of capital → No

The cash flows on a project are given by (-\$100,\$60,\$60)

| Discount Rate | 0% | 5% | 10% | 13.1% | 15% | 20% |
|---------------|----|-------|------|-------|-------|-------|
| NPV | 20 | 11.56 | 4.13 | 0 | -2.46 | -8.33 |



e.g. Mannar wind farm project

The FIRR for the project is 4.2% and the FNPV, when discounted at the WACC(2.6%), is \$28.1 million demonstrating that the project is financially viable to its developer or owner (CEB).

4. Payback Period

The payback period determines the number of years required for the invested capital to be offset by resulting benefits.

Economic analysis



Major tools of economic analysis

1. Economic Internal Rate of Return (EIRR)

If $IRR > \text{Opportunity cost of capital} \rightarrow \text{Yes}$

If $IRR < \text{Opportunity cost of capital} \rightarrow \text{No}$

2. Economic Net Present Value(ENPV)

$NPV > 0 \rightarrow \text{Yes}$

$NPV < 0 \rightarrow \text{No}$

- ENPV and EIRR are frequently used, if required data and information are available
- If it is possible valued costs and benefits – better to calculate ENPV and EIRR for all projects

Contd.

e.g. Mannar wind farm project

When the **global environmental benefit from the reduction of CO₂ emission at the rate of US\$36.3 per ton of CO₂** is included in the economic analysis

(1) EIRR - 16.6%

ENPV - Rs.16,487 million (at discount rate of 9%)

If the **economic benefit of avoided CO₂ emissions is not included in the analysis**

(2) EIRR -11.3%

ENPV – Rs. 4,527 million (at discount rate of 9%)

The project is economically viable for the country

3. Economic Benefit – cost Ratio

If benefits / costs > 1 → Yes

If benefits / costs < 1 → No



Cost-effectiveness analysis (CEA)

- Mostly used for social sector projects
- It compares the cost of providing one unit of benefit
- Benefit is usually measured in natural units
 - E.g. deaths averted, lives saved, cases detected, days free from sickness

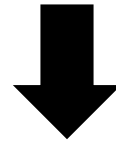
$$\text{CEA} = \frac{\text{Total Cost}}{\text{Number of units of Benefits}}$$

- CEA provides conclusions in terms of cost per unit of benefit
 - E.g. Cost per life year gained from immunisation compared to treatment for Acute Respiratory Infection or Malaria prevention
- Most common method in health care

5. Importance of stakeholder consultation



Consultation and proactive coordination with all relevant stakeholders during the project preparation process



- **Effective and efficient implementation of project**
 - **Minimize unnecessary wastage of limited resources**
 - **Allow joint sectoral /integrated planning**
- **Avoid overlaps and duplication of scope and activities**
- **Reduce frequent Scope changes**



**“Early involvement allows room for
creative solutions and the intensive
exchange of ideas”**



Thank You