



Lecture No 6.

PREPARATION OF PROJECTS

ELIGIBLE TO BE CO-FINANCED BY THE
EUROPEAN UNION; PROJECT MANAGEMENT
CYCLE AND PUBLIC PROCUREMENT

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RECOMMENDED READINGS

- ❖ **European Commission: *Project Cycle Management Guidelines (2004)***

https://ec.europa.eu/europeaid/sites/devco/files/methodology-aid-delivery-methods-project-cycle-management-200403_en_2.pdf

- ❖ **European Commission: *Guide to Cost-Benefit Analysis of Investment Projects (2014)***

http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/cba_guide.pdf

- ❖ **European Commission: *Basic Introduction to Project Cycle Management Using the Logical Framework Approach (2016)***

http://www.eeas.europa.eu/delegations/ethiopia/documents/eu_ethiopia/resources/pcm_manual_en.pdf



EU CO-FINANCING

- ❖ The European Union is a major funder of development programmes aiming to accelerate economic and social development of its less developed Member States (convergence), as well as across the world
- ❖ In their approach to funding, the EU uses a particular form of *Project Cycle Management* to enable it to ensure that it funds projects that are consistent with its objectives, and are likely to achieve the desired impact
- ❖ PCM is seen as an important mechanism for the basic objectives (e. g. integration) to be achieved

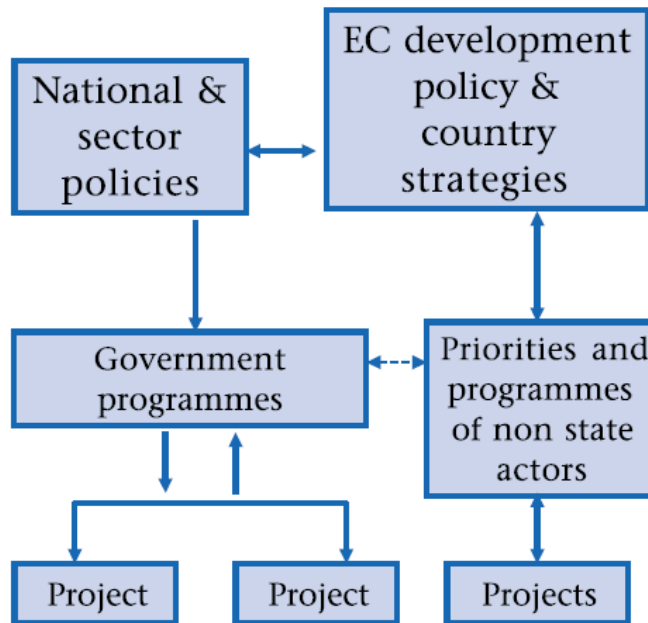


ELIGIBILITY CRITERIA

- ❖ **Projects to be co-financed by EU need to ensure the following general principles:**
 - ❖ **Respect and contribute to overarching policy objectives of the EU such as respect of human rights, poverty alleviation and to cross-cutting issues such as gender equality, protection of the environment**
 - ❖ **That projects are relevant to an agreed strategy and to the real problems of target groups and beneficiaries**
 - ❖ **That projects are feasible, their objectives can be realistically achieved within the constraints of the operating environment and the capabilities of the implementing agencies**
 - ❖ **That benefits generated by projects are sustainable**



POLICY, PROGRAMMES & PROJECTS



EC projects should form part of, and be consistent with:

- National development policies (including Poverty Reduction Strategies);
- EC development policy and country strategy papers;
- Government programmes (e.g in health, education, criminal justice); and/or
- Development priorities and programmes of non-state actors



WHAT IS A PROGRAMME?

- ❖ In development terms a “*programme*” is taken to mean a series of projects whose objectives together contribute to a common Overall Objective, at sector, country or even multi-country level
- ❖ The term “*project*” could therefore be taken to mean a group of activities undertaken to produce a Project Purpose in a fixed time frame, at a cost defined in an appropriate budget



WHAT IS A PROJECT?

1

- ❖ A temporary endeavour undertaken to create a unique product or service; *temporary* means that every project has a definite end, while *unique* means that the product or service is different in some distinguishing way from all similar products or services
- ❖ A group of inter-related activities that are planned and executed in a certain sequence to create a unique product and services within a specific time frame, scope and budget



WHAT IS A PROJECT?

2

- ❖ **Projects differ in size, scope cost and time, but all have the following characteristics:**
 - ❖ **A start and a finish**
 - ❖ **A *life cycle* involving a series of phases in between the beginning and end**
 - ❖ **A budget**
 - ❖ **A set of activities which are sequential, unique and non-repetitive**
 - ❖ **Use of resources which may require coordinating**
 - ❖ **Centralised responsibilities for management and implementation**
 - ❖ **Defined roles and relationships for participants in the project**

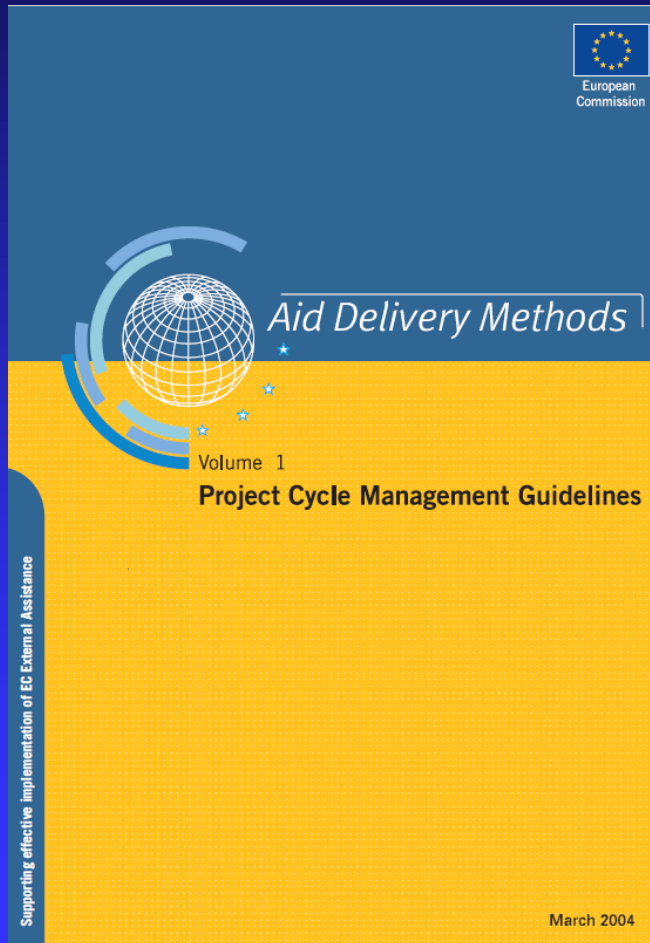


WHAT IS PROJECT CYCLE MANAGEMENT?

- ❖ **Project Cycle Management (PCM) is an approach to managing projects**
- ❖ **It is a system of procedures, practices, technologies and know-how that enables the planning, organizing, staffing, directing and controlling, necessary to successfully implement a project**
- ❖ **The primary challenge of PCM is to achieve all the project goals and objectives while honoring the preconceived constraints (scope, time and budget)**



EU PROJECT CYCLE MANAGEMENT GUIDELINES



1. INTRODUCTION
 2. EUROPEAN COMMISSION DEVELOPMENT COOPERATION POLICY
 3. THE PROJECT APPROACH
 4. PCM OPERATIONAL GUIDELINES
 5. THE LOGICAL FRAMEWORK APPROACH
 6. INSTITUTIONAL CAPACITY ASSESSMENT
 7. MONITORING, REVIEW AND REPORTING
 8. PARTICIPATION & FACILITATION
 9. PREPARING TERMS OF REFERENCE
- GLOSSARY OF KEY TERMS*



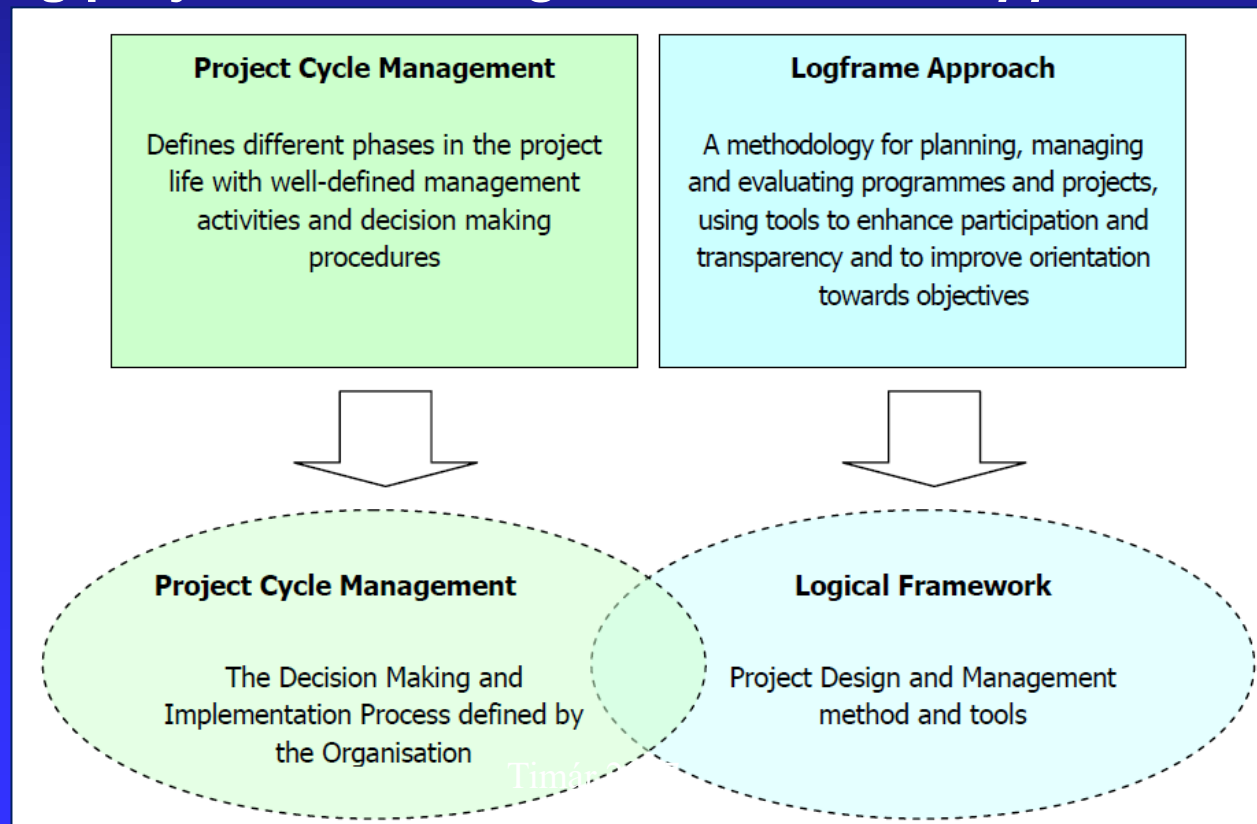
HISTORY OF PCM & LFA

- ❖ In 1992 the European Commission adopted *Project Cycle Management (PCM)* as its primary set of project design and management tools (based on the Logical Framework Approach)
- ❖ The *Logical Framework Approach (LFA)* was developed in the late 1960's to assist the US Agency of International Development to improve its project planning and evaluation system



PCM & LFA

❖ **PCM** reflects the decision-making and implementation process; the methodology applied for planning, managing, evaluating projects is the *Logical Framework Approach*





PURPOSE OF LFA

- ❖ **LFA was designed to address three basic concerns, namely that:**
 - ❖ **planning was too vague, without clearly defined objectives that could be used to monitor and evaluate the success (or failure) of a project;**
 - ❖ **management responsibilities were unclear;**
 - ❖ **evaluation was often an adversarial process, because there was no common agreement as to what the project was really trying to achieve**



LOGICAL FRAMEWORK APPROACH

ANALYSIS PHASE

- ↓ **Stakeholder analysis** - identifying & characterising potential major stakeholders; assessing their capacity
- ↓ **Problem analysis** - identifying key problems, constraints & opportunities; determining cause & effect relationships
- ↓ **Objective analysis** - developing solutions from the identified problems; identifying means to end relationships
- ↓ **Strategy analysis** - identifying different strategies to achieve solutions; selecting most appropriate strategy.

PLANNING PHASE

- ↓ **Developing Logical Framework matrix** - defining project structure, testing its internal logic & risks, formulating measurable indicators of success
- ↓ **Activity scheduling** - determining the sequence and dependency of activities; estimating their duration, and assigning responsibility
- ↓ **Resource scheduling** - from the activity schedule, developing input schedules and a budget



TERMINOLOGY

1

- ❖ **Stakeholders:** Individuals or institutions that may – directly or indirectly, positively or negatively – affect or be affected by a project or programme
- ❖ **Beneficiaries:** Are those who benefit in whatever way from the implementation of the project.
Distinction may be made between:
 - (a) **Target group(s):** The group/entity who will be directly positively affected by the project at the Project Purpose level; this may include the staff from partner organisations



TERMINOLOGY

2

- ❖ **(b) *Final beneficiaries***: Those who benefit from the project in the long term at the level of the society or sector at large, e.g. “children” due to increased spending on health and education, “consumers” due to improved agricultural production and marketing
- ❖ ***Project Partners***: Those who implement the projects in-country (who are also stakeholders, and may be a ‘*target group*’)



LOGICAL FRAMEWORK MATRIX

- ❖ **The Logical Framework Matrix (briefly the Logframe, LFM) consists of a matrix with 4 columns and 4 (or more) rows, which summarise the key elements of a project plan, namely:**
 - ❖ **The project's hierarchy of objectives (Project Description or Intervention Logic);**
 - ❖ **The key external factors critical to the project's success (Assumptions); and**
 - ❖ **How the project's achievements will be monitored and evaluated (Indicators and Sources of Verification)**



TYPICAL STRUCTURE OF A LOGFRAME










Project Description	Indicators	Source of Verification	Assumptions
Overall Objective – The project's contribution to policy or programme objectives (impact)	How the OO is to be measured including Quantity, Quality, Time?	How will the information be collected, when and by whom?	
Purpose – Direct benefits to the target group(s)	How the Purpose is to be measured including Quantity, Quality, Time	As above	If the Purpose is achieved, what assumptions must hold true to achieve the OO?
Results – Tangible products or services delivered by the project	How the results are to be measured including Quantity, Quality, Time	As above	If Results are achieved, what assumptions must hold true to achieve the Purpose?
Activities – Tasks that have to be undertaken to deliver the desired results			If Activities are completed, what assumptions must hold true to deliver the results?



DEFINING A PROJECT

**WHY – WHAT – HOW – HOW MUCH - WHEN –
WHOM – WHERE?**

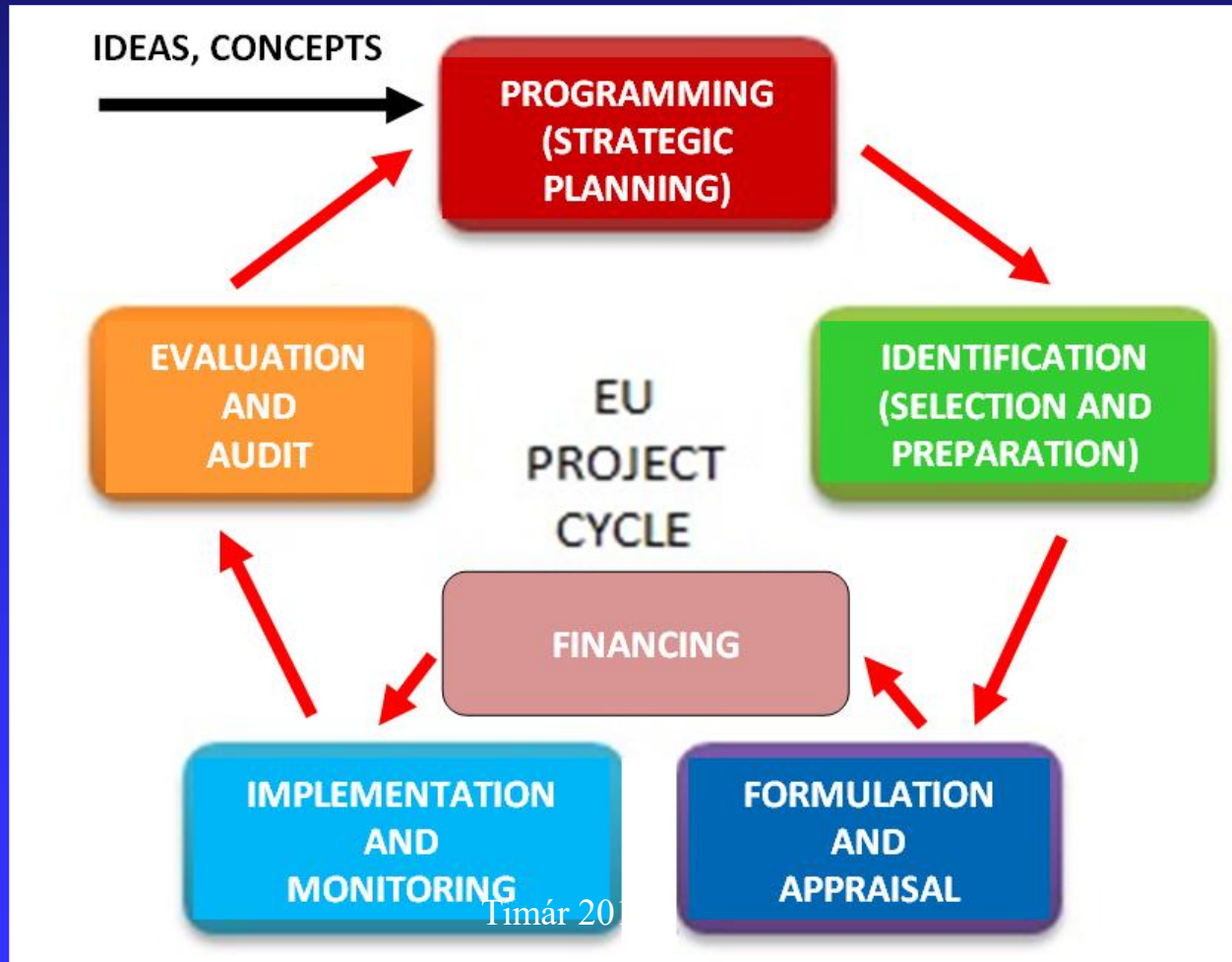


Why?		Clear objectives (overall, short term, actual)
What?		Expected performances, effects (output, result, impact)
By what means?		Inputs, resources (human, time, materials, tools, nature, information, knowledge)
How?		Activities, measures, institutions, regulation, standards
When?		Time schedule, deadlines
At what cost?		Expenditures, resources consumed
From which sources?		Sources of capital, money (own contribution, sponsors, banks, tender)
For whom?		Final beneficiaries, local communities, inhabitants of a region
Where?		Country, region, county, micro-region, settlement



PROJECT CYCLE MANAGEMENT (PCM)

❖ The sequence of phases through which the project will evolve is a project life cycle:





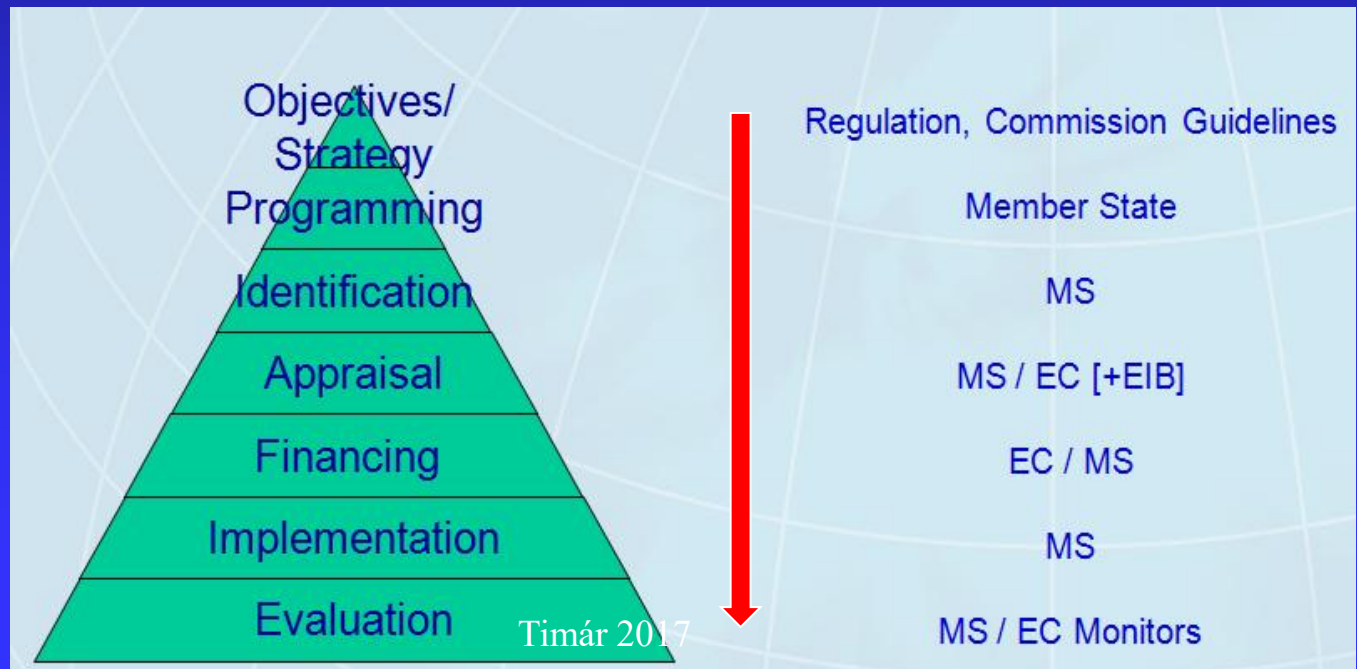
COMMON THEMES OF PCM

- ❖ **Within all EC programmes the PCM shares three common themes:**
 - ❖ **Key decisions, information requirements and responsibilities are defined at each phase**
 - ❖ **The phases in the cycle are progressive – each phase needs to be completed for the next to be tackled with success**
 - ❖ **New programming draws on evaluation to build experience as part of the institutional learning process**
- ❖ **A range of standardised documents and decisions required and follow from each phase**



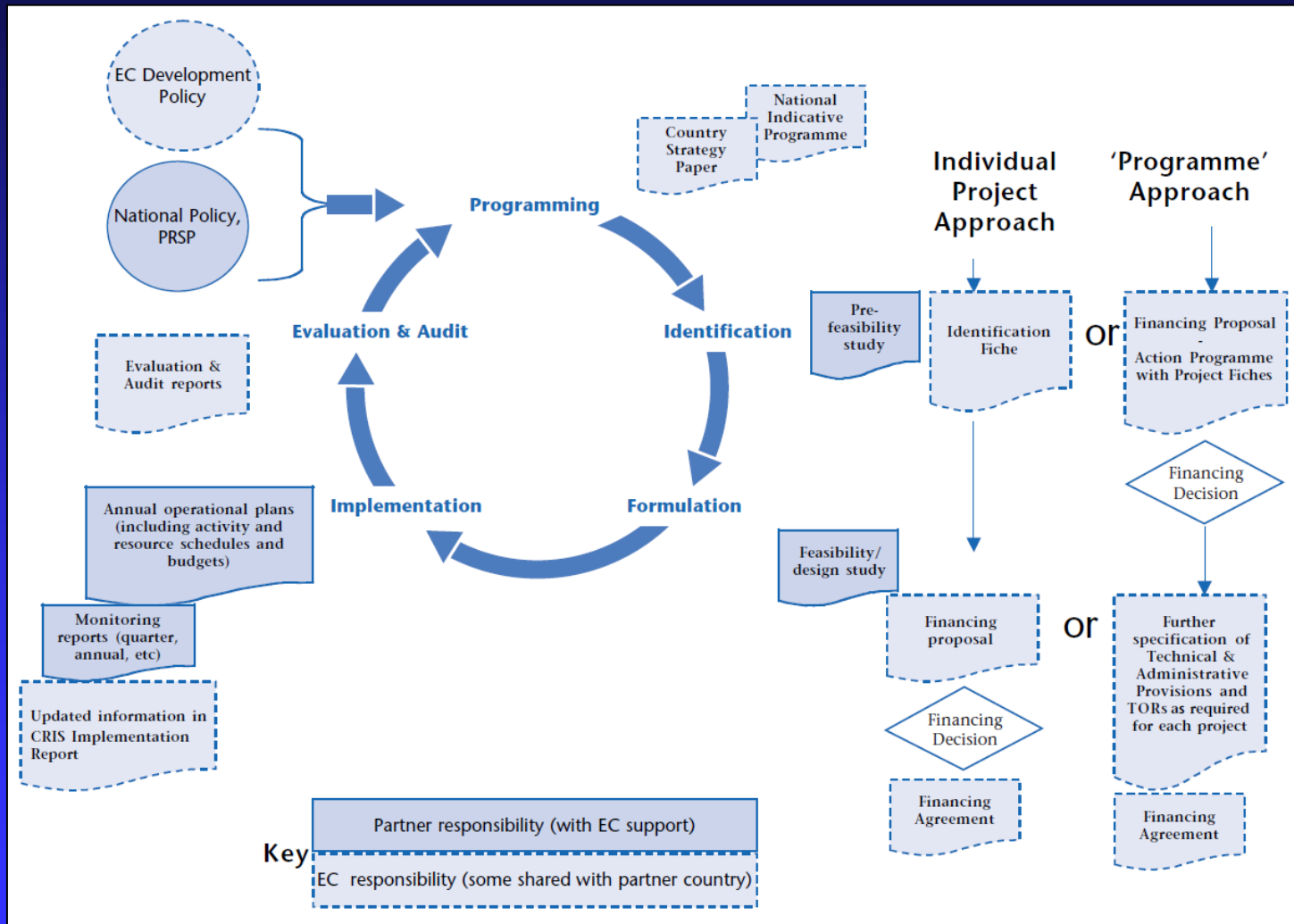
EU PCM: ROLES & RESPONSIBLES

❖ For each EU Financing Period (7 years) Member States (MS) prepare their National Development Plan containing Operative Programmes approved by the European Commission (EC), aiming to be co-financed by EU funds



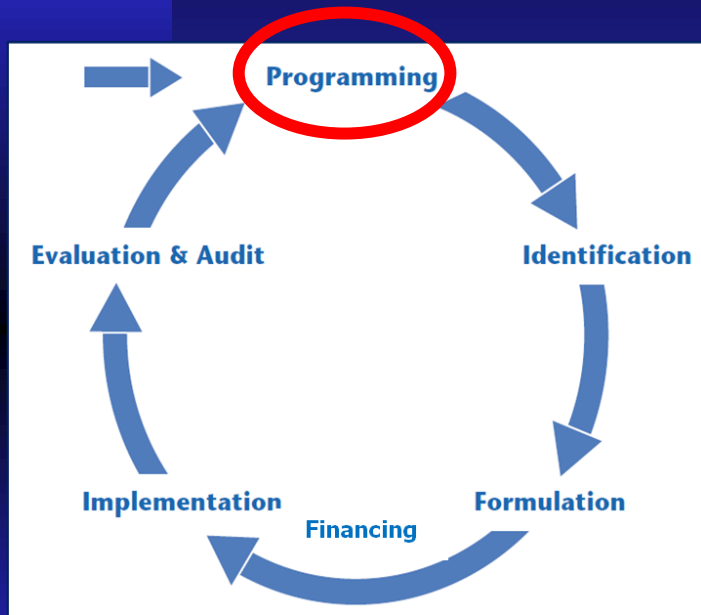


PCM - MAIN DOCUMENTS AND RESPONSIBILITIES





PCM PHASE 1: PROGRAMMING



- ❖ During the *Programming phase*, the situation at national and sectoral level is analysed to identify problems, constraints and opportunities which co-operation could address
- ❖ This involves a review of socio-economic indicators and of national and donor priorities
- ❖ The purpose is to identify the main objectives and sectoral priorities for co-operation, and thus to provide a relevant and feasible programming framework within which projects can be identified and prepared

OUTCOME:
Country Strategy Paper,
or
Indicative Programme



PROGRAMMING TOOLS 1

- ❖ ***SWOT analysis*** aims to identify the key internal and external factors seen as important to achieving an objective; it groups key pieces of information into two main categories:
 - ❖ *internal factors* – the *strengths* and *weaknesses* internal to the organization
 - ❖ *external factors* – the *opportunities* and *threats* presented by the environment external to the organization
- ❖ ***SWOT analysis*** can be used effectively to build organization or development strategy



SWOT ANALYSIS

	Helpful to achieving the objective	Harmful to achieving the objective
Internal origin (attributes of the organization)	S Strengths	W Weaknesses
External origin (attributes of the environment)	O Opportunities	T Threats



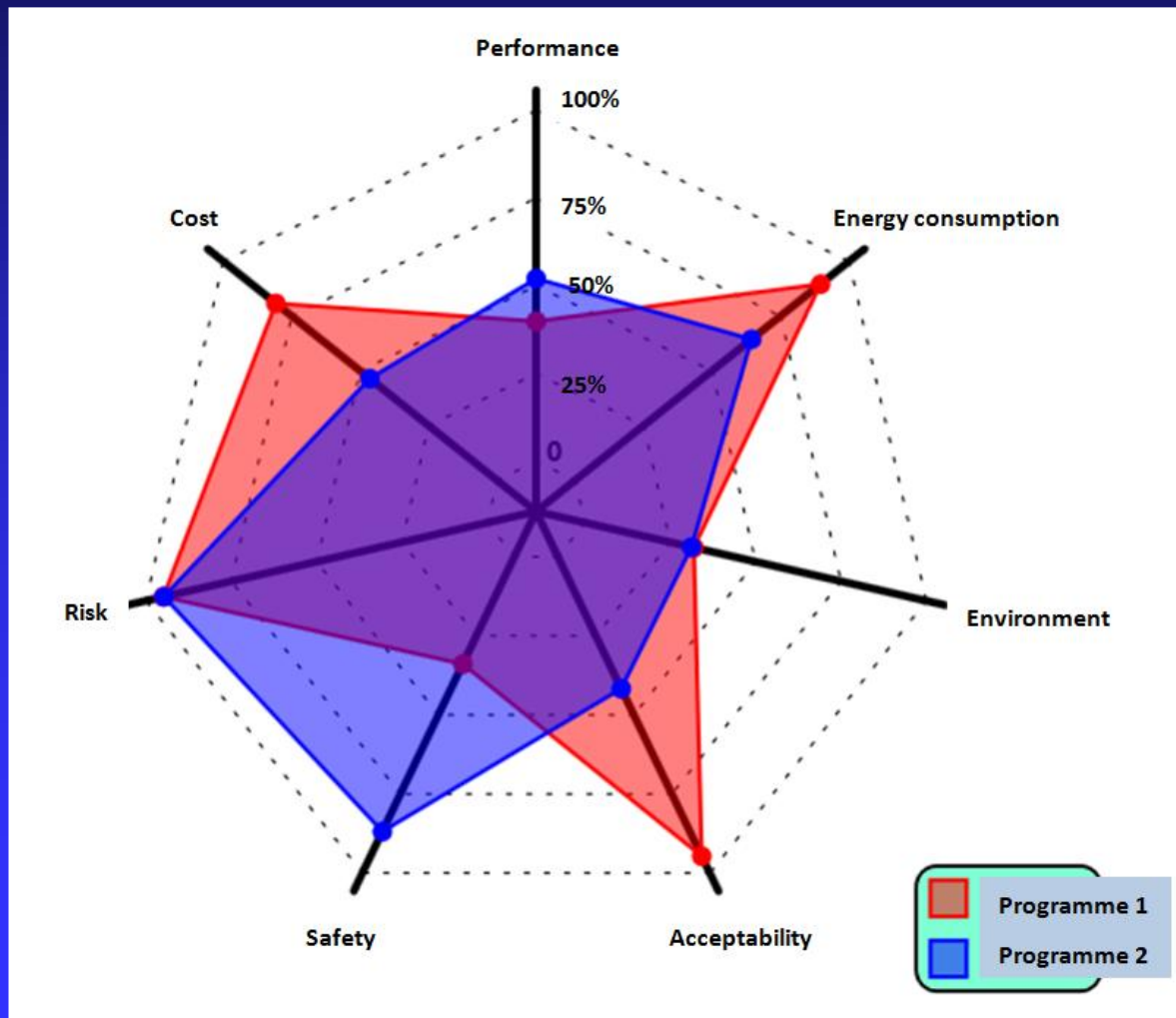
PROGRAMMING TOOLS

2

- ❖ ***Spider web chart, or radar chart*** is a two dimensional plot that consists of a sequence of equi-angular spokes, with each spoke representing one of the variables (compliance with pre-set requirements or objectives; scale 1-100%)
- ❖ It is a useful way to display multivariate observations with an arbitrary number of variables or criteria
- ❖ One of its application is the control and comparison of performance metrics of planned or ongoing (mutually exclusive) programs or projects



SPIDER WEB CHART



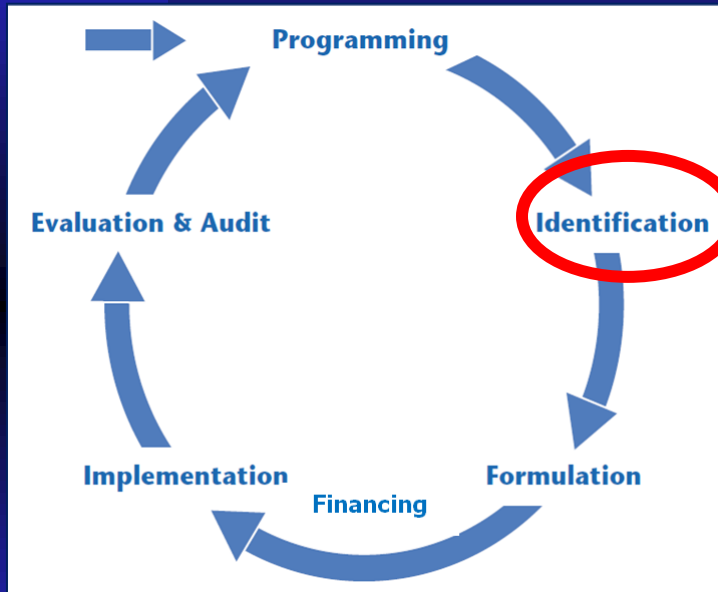


THE PROGRAMMING PROCESS

- ❖ **The programming process should be consistent with the major analytical elements of the LogFrame Approach, namely it should:**
 - ❖ **Identify key stakeholders and assess their needs, interests and capacities;**
 - ❖ **Identify and analyse the priority development problems & constraints and opportunities;**
 - ❖ **Identify development objectives which address the identified priority problems; and**
 - ❖ **Identify a strategy for EC development assistance which takes account of the proceeding analysis, including capacity constraints, lessons learned from previous experience and the ongoing or planned activities of other donors**



PCM PHASE 2: IDENTIFICATION



- ❖ During the *Identification phase*, and within the framework established by the Country Strategy Paper, the stress is on analysis of relevance of project ideas, which includes an analysis of the stakeholders and of the likely target groups and beneficiaries and of the situation, as well as an analysis of the problems they face, and the identification of options & relevant projects & partners to address these problems
- ❖ Sectoral, thematic or pre-feasibility studies and feasibility studies may be carried out

OUTCOME:
Project Identification Report defining the initial structure of the Project

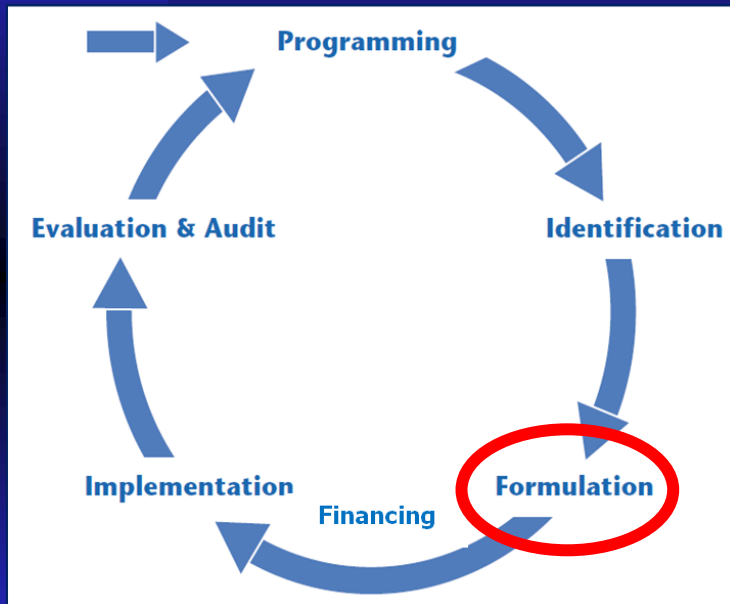


PURPOSE & OUTPUT

- ❖ **The purpose of the identification stage is to:**
 - ❖ **identify project ideas that are consistent with partner and EU development priorities;**
 - ❖ **assess the relevance and likely feasibility of these project ideas;**
 - ❖ **under the ‘Programme approach’, prepare a Financing Proposal or an Identification Fiche for individual projects and**
 - ❖ **prepare a financing decision for a Programme of projects, or determine the scope of further work required during the formulation stage for individual projects**



PCM PHASE 3: FORMULATION & APPRAISAL



OUTCOME: *Project Plan*
i. e. *Formulation Plan* or
Formulation Document
and *Feasibility Study*

- ❖ During the *Formulation* phase, detailed preparatory studies required by the donor agency are carried out, relevant project ideas are developed into a Project Plan
- ❖ The particular stress during this phase is on ascertaining the feasibility, sustainability and quality of the suggested interventions and the whole project
- ❖ These are appraised using standardised assessment methods summarised in a *feasibility study*



FEASIBILITY STUDY

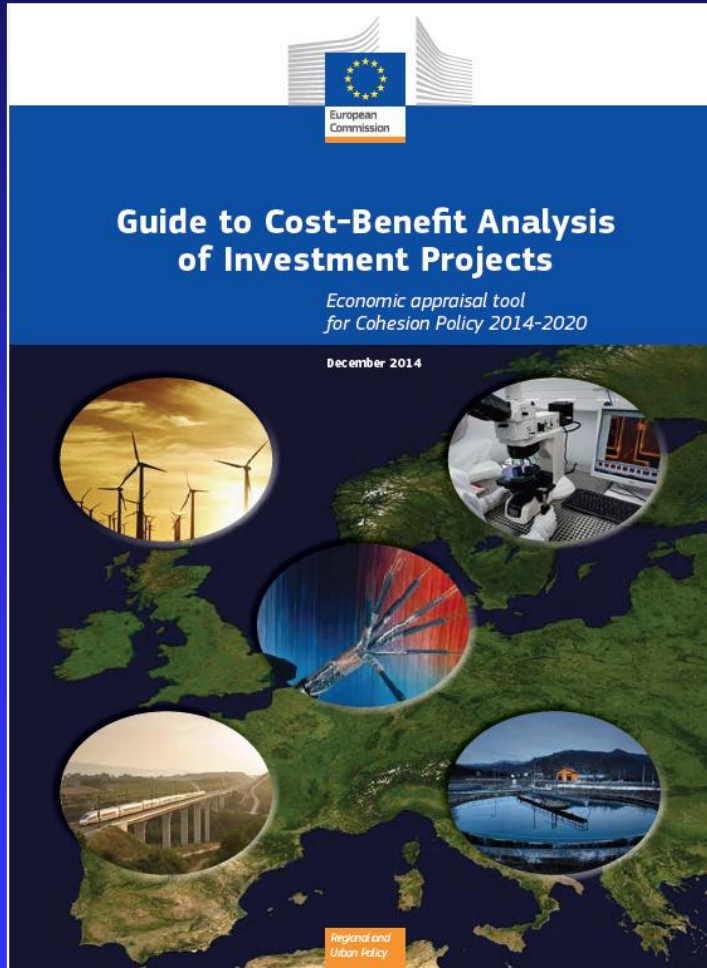


Table of contents of a FEASIBILITY STUDY

1. Executive summary
2. Socio-economic context
3. Background of the project
4. Justification of the development
5. General assumptions and methodology applied
6. Analysis of project variants
7. Description of the selected project variant
8. Financial analysis (funding sources, rentability, bankability)
9. Economic cost-benefit analysis
10. Sensibility and risk analysis
11. Attachments



ALTERNATIVES CONSIDERED

- ❖ At least three alternatives could be considered:
 - ❖ the *do nothing* alternative
 - ❖ the *do minimum* alternative
 - ❖ the *do something* alternative (or reasonable alternative, a project based on an alternative technology or concept)
- ❖ Any comparative analysis is based on assumptions and forecasts
- ❖ Cost-benefit analysis compares project costs (C) and benefits expressed as differences of costs of between „do nothing” alternative and that of „do something” alternatives:

$$\text{Benefits} = \Delta C = C_{\text{with project}} - C_{\text{without project}}$$

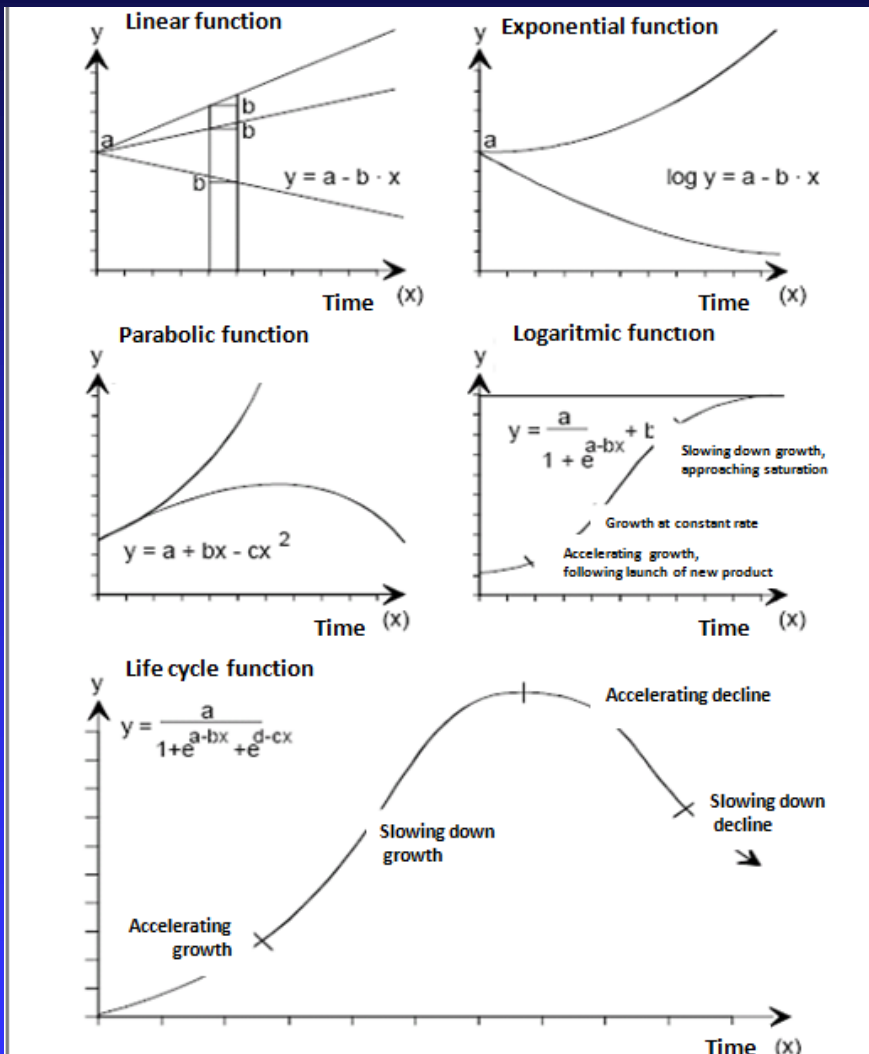


ASSUMPTIONS

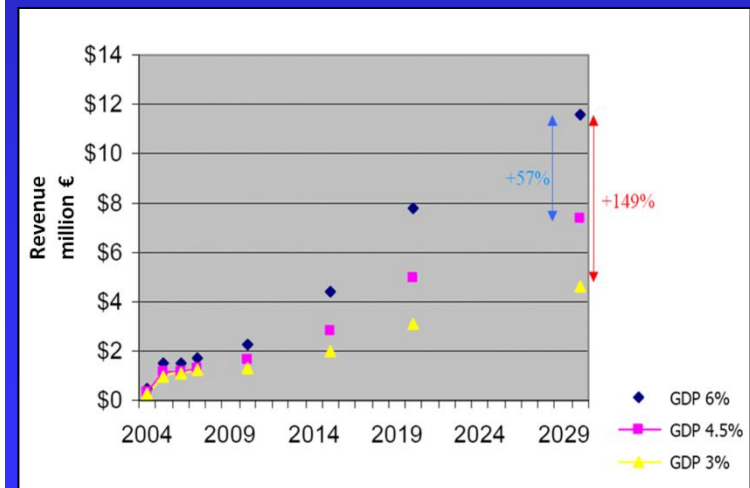
- ❖ **The assumptions made in the Project design must be recorded; these are the conditions that:**
 - ❖ **are outside of the Project's control; and,**
 - ❖ **must exist or take place for the Project to be successful.**
- ❖ **Assumptions are made for each level of the objectives; they may include:**
 - ❖ **the actions of certain groups, or Project stakeholders**
 - ❖ **certain economic or social conditions, such as the absence of conflict**
 - ❖ **political conditions, such as stability**
 - ❖ **conditions of climate**



SEEING THE FUTURE: FORECAST (ASSUMPTIONS)

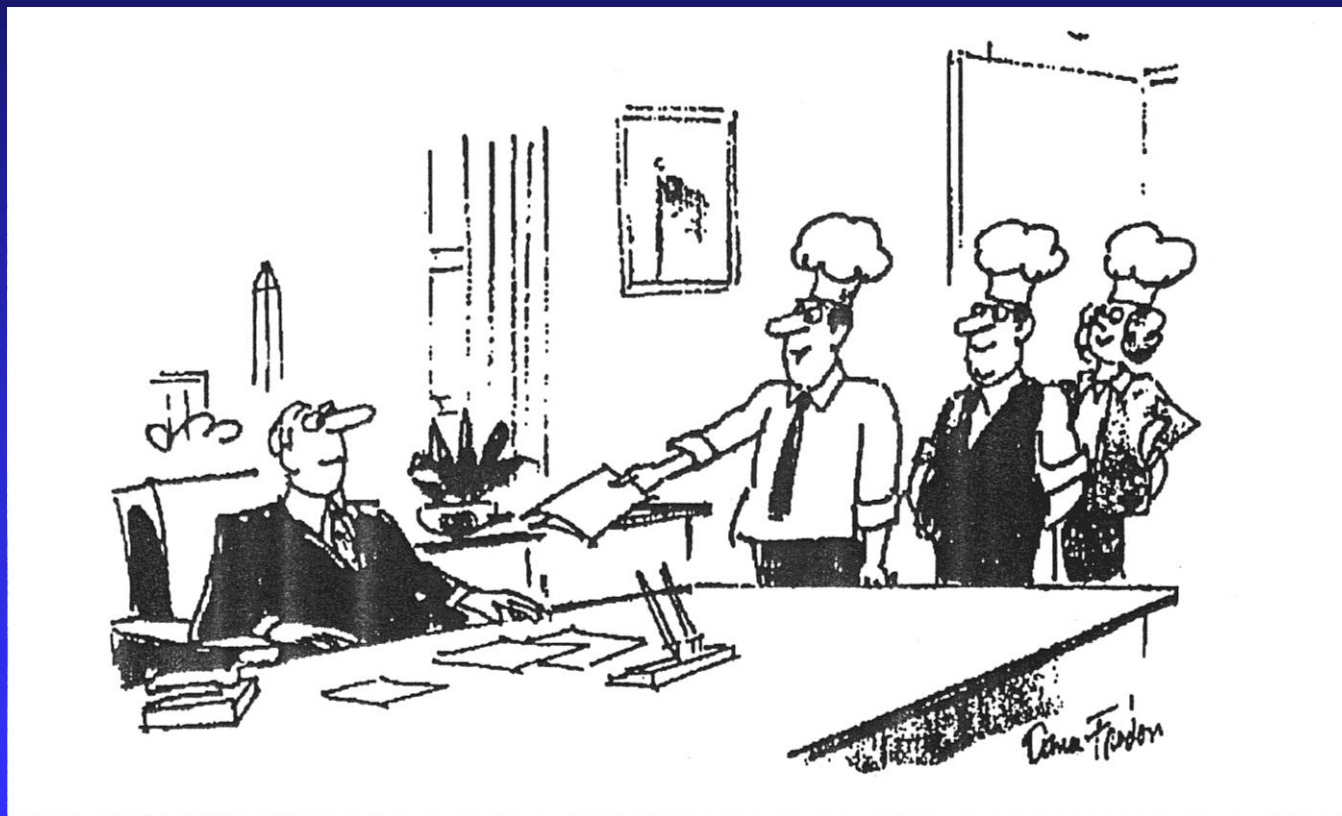


- ❖ Accuracy & reliability of input data affect output considerably
- ❖ Uncertainty & probability should be duly taken into account





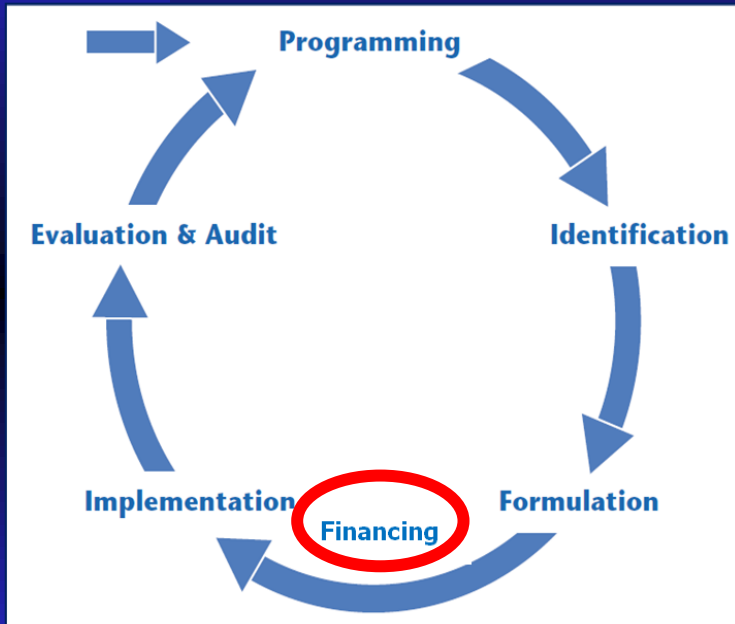
FORECAST UNDER POLITICAL PRESSURE



“Here are the numbers you wanted cooked, sir.”



PCM PHASE 4: FINANCING

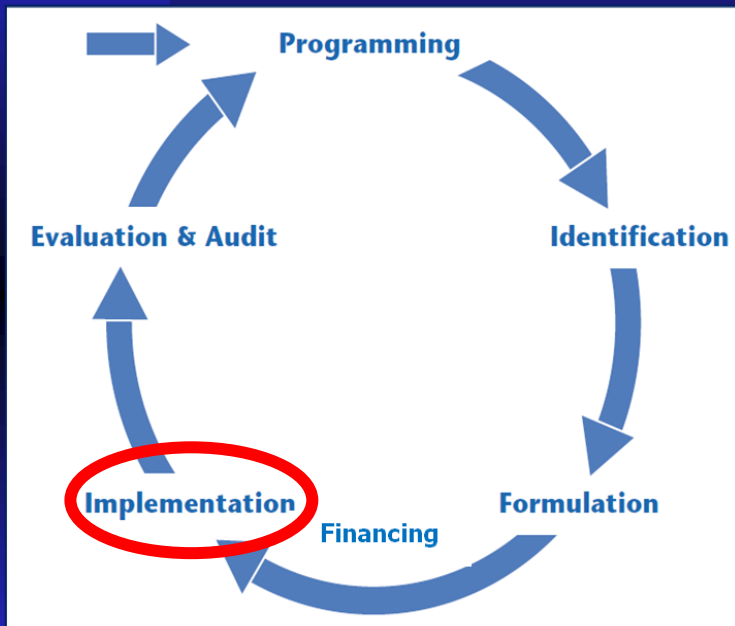


- ❖ During the *Financing phase*, a decision is made by the donor agency and potential lenders concerned on whether or not to draw up a formal Financing Proposal and provide funding for the project
- ❖ The Financing Agreement is related to the modalities of implementation and formalise these in a legal document which sets out the arrangements by which the project will be funded and carried out
- ❖ Projects co-funded by EU must be partly financed by the beneficiaries

OUTCOME: *Financing Proposal and Financial Agreement*



PCM PHASE 5: IMPLEMENTATION



OUTCOME: *Construction contract, Independent Engineer Contract and Consultants' Contracts*

- ❖ During the Implementation phase, the contractors, the suppliers, the supervisors and managers are selected and designated through open, competitive procurement (tendering)
- ❖ To create a level playing field for all businesses across Europe, EU law sets out harmonised public procurement rules to organise the way public authorities & public utility operators purchase goods, works and services
- ❖ Respecting the conditions set out in the contracts, the project is to be implemented and closed



EU PUBLIC PROCUREMENT

- ❖ **Every year, over 250 000 public authorities in the EU spend around 14% of GDP on the purchase of services, works and supplies**
- ❖ **In many sectors such as energy, transport, waste management, social protection and the provision of health or education services, public authorities are the principal buyers**
- ❖ **Public procurement refers to the process by which public authorities, such as government departments or local authorities, purchase work, goods or services from companies**

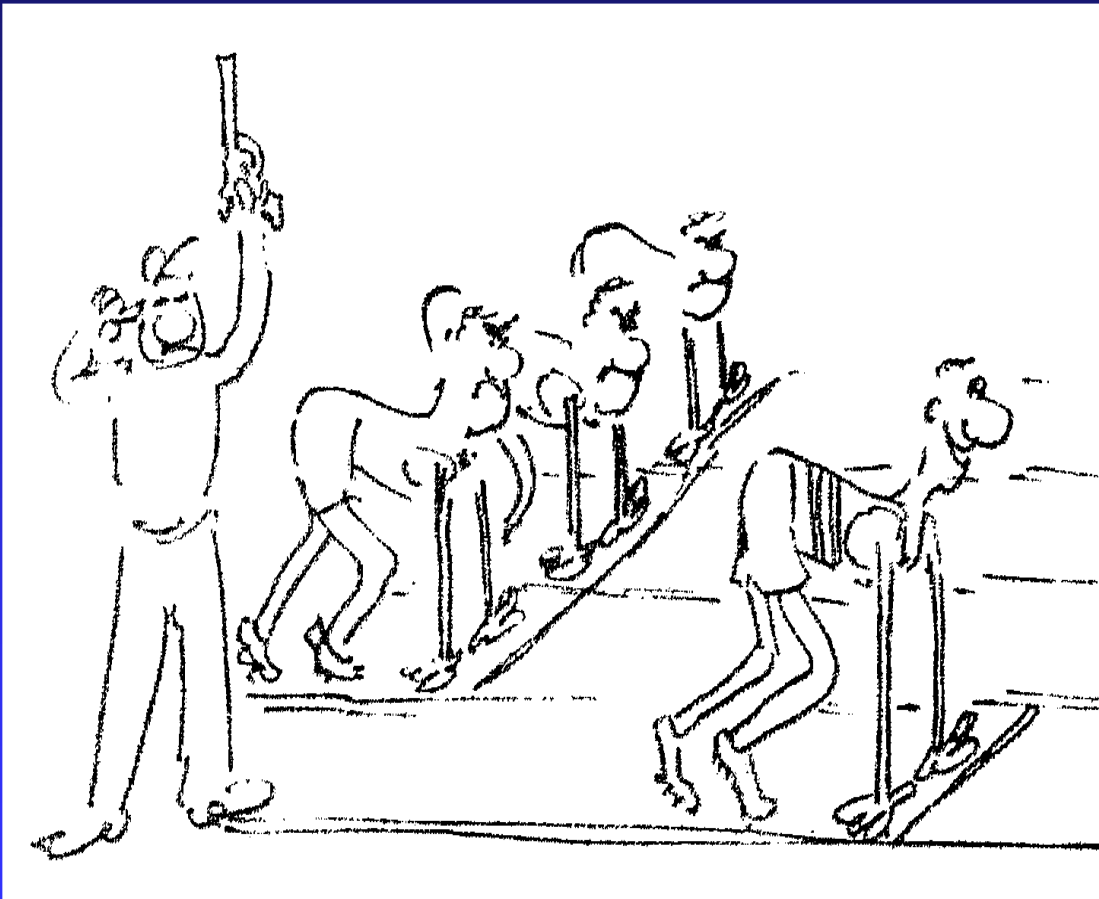


EU PUBLIC PROCUREMENT RULES

- ❖ EU public procurement rules have changed: from 18 April 2016, *Directive 2014/24/EU on public procurement* and *Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors* replaced the old ones and simplified procedures:
 - ❖ public purchasers are better able to negotiate the terms of contracts with companies to obtain the service that best suits their needs.
 - ❖ the minimum deadlines for procedures became shorter
 - ❖ only the winning company needs to submit all the documentation proving that it qualifies for the contract



LEVEL PLAYING FIELD?

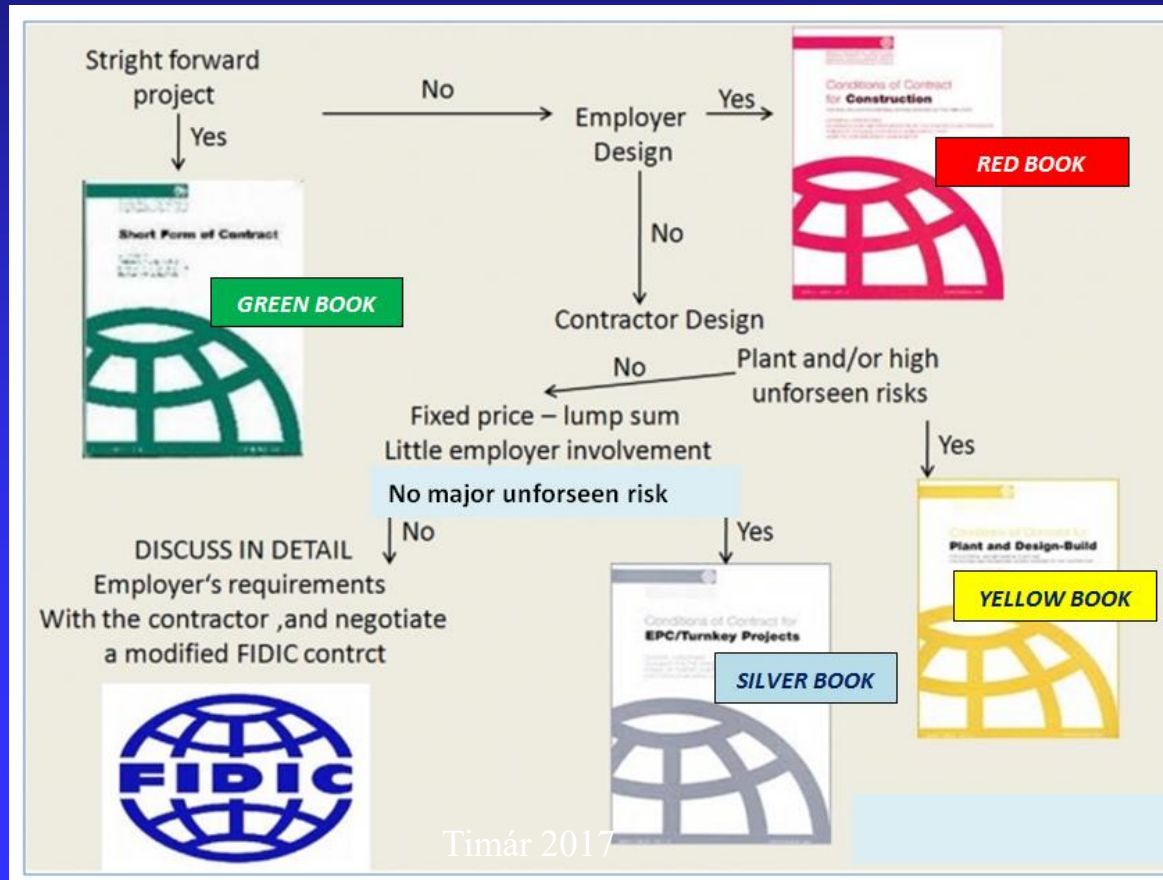


- ❖ Tender documentation should not discriminate in favor of domestic applicants
- ❖ For tenders of lower value, national rules apply, but these also have to respect the general principles of EU law



MODEL CONTRACTS

- ❖ The International Federation of Consulting Engineers – FIDIC (founded 1913) publishes contracts' guidelines for engineers:





RE-PLANNING, MONITORING, REPORTING

- ❖ Throughout the implementation, depending on the modalities set out in the financing agreement, three major principles apply:
 - ❖ Planning and re-planning - The initially prepared *Implementation Schedule, Logframe, Activity Plans* and *Budgets* need to be regularly reviewed, refined, and updated accordingly
 - ❖ Monitoring - Project management has the task of establishing sufficient controls over the project to ensure that it stays on track towards the achievement of its objectives
 - ❖ Reporting - The project management or implementing agency will have to provide reports on progress



PCM PHASE 6: EVALUATION & AUDIT



- ❖ During the *Evaluation phase* an ongoing or completed project, programme or policy, its design, implementation and results are assessed as systematically and objectively as possible
- ❖ Evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors

OUTCOME: *Terms of Reference and Final Evaluation Report* of the evaluation mission; *Final Audit Report*



EVALUATION CRITERIA

Relevance	The appropriateness of project objectives to the problems that it was supposed to address, and to the physical and policy environment within which it operated. It should include and including an assessment of the quality of project preparation and design – <i>i.e.</i> the logic and completeness of the project planning process, and the internal logic and coherence of the project design.
Efficiency	The fact that the project results have been achieved at reasonable cost, <i>i.e.</i> how well inputs/means have been converted into Activities, in terms of quality, quantity and time, and the quality of the results achieved. This generally requires comparing alternative approaches to achieving the same results, to see whether the most efficient process has been adopted.
Effectiveness	An assessment of the contribution made by results to achievement of the Project Purpose, and how Assumptions have affected project achievements. This should include specific assessment of the benefits accruing to target groups, including women and men and identified vulnerable groups such as children, the elderly and disabled.
Impact	The effect of the project on its wider environment, and its contribution to the wider policy or sector objectives (as summarised in the project's Overall Objective).
Sustainability	An assessment of the likelihood of benefits produced by the project to continue to flow after external funding has ended, and with particular reference to factors of ownership by beneficiaries, policy support, economic and financial factors, socio-cultural aspects, gender equality, appropriate technology, environmental aspects, and institutional and management capacity.



AUDIT

- ❖ **The purpose of an *audit* is to:**
 - ❖ **Assess an activity/subject that is the responsibility of another party against identified suitable criteria, and**
 - ❖ **express a conclusion (i.e. opinion) that provides the intended user with a level of assurance about the activity/subject being audited**
- ❖ **The objectives of an audit is to enable the auditor to express a conclusion on:**
 - ❖ **The legality and regularity of project expenditure and income;**
 - ❖ **Whether project funds have been used efficiently and economically**
 - ❖ **Whether project funds have been used effectively**



THE „GHOST STORY” OF A PROJECT

1. Enthusiasm
2. Losing illusions
3. Panic
4. Search for scapegoats
5. Punishment of the innocents and zealous supporters
6. Awarding and decorate those who didn't participate directly in the implementation of the project

