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Expert Group Meeting on the Theory  
and Practice of the Appraisal of  
Technical Co-operation Projects

Vienna, 25-27 September 1991

THE THEORY AND PRACTICE OF THE APPRAISAL OF  
TECHNICAL CO-OPERATION PROJECTS

Reference paper\*

Prepared by

the UNIDO Secretariat

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\*This document has not been edited.

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### Introductory Note

#### Problem addressed:

There is an insufficient common understanding of what constitutes "quality" in technical co-operation programmes and projects. A main cause of this problem is the inadequacy of existing tools to assess or measure whether quality criteria (e.g. relevance, feasibility, cost-effectiveness, sustainability) are met by such programmes and projects. Furthermore, there are no generally accepted standards against which to measure these criteria.

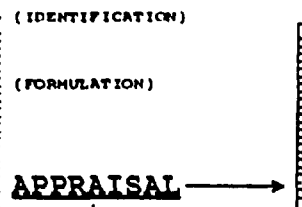
#### Objective:

The improvement of the tools and techniques used for the appraisal of technical co-operation programmes and projects so as to better ensure their overall quality.

This reference paper prepared by the Project Appraisal Section of UNIDO raises a series of questions for discussion by experts in the field of appraisal of technical co-operation programmes and projects.

OVERVIEW

TECHNICAL CO-OPERATION — PROJECT →



- WHY** ----- General agreement on the need for project appraisal. But what is the real purpose?
- WHO** ----- Specialised staff, staff responsible for project preparation, external consultants?
- WHEN** ----- When a project document is completed and/or at different steps during project preparation? Advisory role or participation in approval decision?

see page 6

- N.B.**
- o NO PROJECT DOCUMENT IS PERFECT
  - o A GOOD PROJECT DOCUMENT MAY NOT PRODUCE ITS EXPECTED RESULTS
  - o HOWEVER, A BETTER PROJECT DOCUMENT MAKES A PROJECT EASIER TO IMPLEMENT
  - o QUALITY CANNOT BE DEFINED IN ABSOLUTE TERMS

**HOW**

All projects or according to certain limitations (value, categories, etc.). How comprehensive?  
Sound appraisal requires to go virtually through the same kind of exercise as the project planner (FINNIDA)

**METHOD**

**UNDP/UNIDO GUIDELINES**

**TOOLS**

**CRITERIA**

LOGICAL THINKING  
(LOGICAL FRAMEWORK)  
see page 7

see page 8

see page 9

see page 10

- o Aid is provided to those countries where institutions are weakest and risks are greatest (British ODA)
  - o Aid focuses on countries which are too risky for foreign commercial investment (ODA)
  - o Tech. co-operation should provide support to private sector investments (UNDP)
  - o Tech. cooperation covers a wide spectrum of assistance, depending on:
- SIZE** (small projects; integrated programmes)
- TYPE** (autonomous activities; related to investment)
- LEVEL OF DEVELOPMENT RECIPIENT**
- GRANT OR PURCHASE BASIS**  
see page 11

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## WHAT IS APPRAISAL?

### A. UNIDO

1. "Appraisal is the critical assessment of the relevance, feasibility and potential effectiveness of an activity before a decision is made to undertake that activity, or to approve assistance for it." [United Nations: Joint Inspection Unit (JIU/REP/78/5)]
2. The Project Appraisal Section will appraise complete draft project documents and their overall quality on the basis of the UNDP/UNIDO guidelines for project design and evaluation and of the applicable guidelines of the donor or financing organization(s). It will also ensure that projects conform with UNIDO policy. [UNIDO]
3. The Project Appraisal Section may be requested to advise on project design and formulation (particularly in the case of large, complex programmes comprising a set of interrelated projects). [UNIDO]
4. An Appraisal Memorandum on each project's relevance, feasibility and potential effectiveness is issued to the approval authorities at UNIDO to facilitate decision-making on each project; the Chief of Section is an advisor to the Project Review Committee. [UNIDO]

### B. OECD, DAC Principles for Project Appraisal, 1988

1. "The purpose of appraisal is to enable decision-makers to make rational project choices and to contribute to good project design". [paragraph 18]
2. This presupposes a thorough initial project screening process resulting in a short-list of projects which would be the subject of detailed formulation and appraisal. This process ensures that implausible projects do not acquire a life of their own. [paragraph 9]
3. At the decision stage, appraisal will enable those concerned to ensure the soundness (overall quality) of a project, the superiority of its design to alternative means of meeting its objectives and its readiness for implementation. [ paragraph 19 ]

METHOD

LOGICAL THINKING  
(LOGICAL FRAMEWORK)

Cause/Effect analysis

First used by USAID, later adopted by all major development agencies

Tree analysis

It is used to:  
Analyse problems, state realistic objectives, find suitable solutions, anticipate risks (DANIDA)

Problem Objective Alternative

PROBLEM

OBJECTIVE

(ALSO GOAL, SOLUTION)

STRATEGY

(ALSO APPROACH, SOLUTION)

METHOD per se

CONSTRAINTS related to

METHOD as applied

PRACTICE

Some questions which arise when using the tree analysis

- o How to identify the central problem? Is it always possible to single it out?
- o What if a project is intended to address several problems at the same time?
- o How to verify a problem's importance to the recipient country?
- o What if UNIDO and/or donor do not agree with recipient?
- o What if available inputs are not adequate to the problem(s) identified?

- o How to link immediate objectives to development objective? (short-term versus long-term goal)
- o How to select appropriate objectives? (priorities)
- o Are there any objectives other than the ones stated? (overt v. covert goals)
- o What if some of the objectives are incompatible?
- o What if there is disagreement over objectives between UNIDO & Govt. or between counterparts?

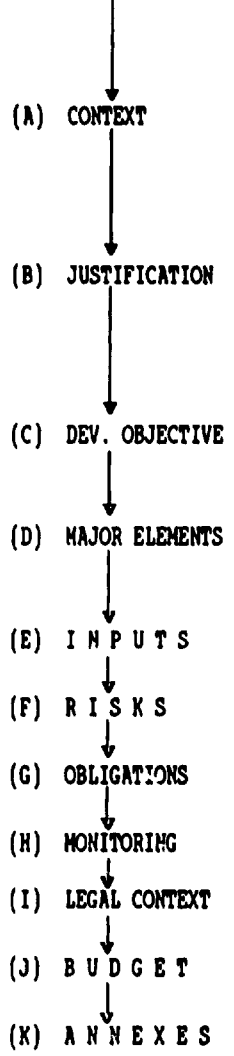
- o How to ensure consistency between inputs and major elements?
- o When should a phased approach be preferable?
- o How to assess whether counterpart support is adequate? What if it is not?
- o How to reach direct recipients/target beneficiaries?
- o Is it always possible to minimise internal and external risks?
- o To what extent outputs should be quantified?
- o How to determine whether a regional or national approach is best?

- o Logical analysis depends on viewer's assumptions (to what extent is common sense common to everybody?)
- o Although there is a lack of independent measurements, an appraiser has to make choices based on value judgements.

- o Can the same approach be used for all type of projects? Does it make sense?
- o Sometimes inputs/budget are a known quantity and project has to be based on those elements rather than developed from problem analysis.
- o Political reasons for doing the project.

- o Lack of basic information on problems to be addressed, counterparts, etc.
- o What information is provided is not linked to the project
- o Time constraints, pressure on officers responsible for project development.
- o Financing institutions tend to be more lenient when they are interested in a project, and may have design requirements which do not fully coincide with those of UNIDO.

**UNDP/UNIDO  
GUIDELINES**



- 1. Description of subsector
- 2. Host country strategy
- 3. Prior or ongoing assistance
- 4. Institutional framework

- 1. Present situation
- 2. End of project situation
- 3. Target Beneficiaries
- 4. Strategy & institutional arrangements
- 5. Reason for UNIDO assistance
- 6. Special considerations
- 7. Coordination arrangements
- 8. Counterpart support capacity

Immediate objective(s)  
Output(s)  
Activities

Government  
UNIDO

Prior obligations  
Prerequisites

Reviews  
Reporting  
Evaluation

Work plan  
Schedule for reviews, reporting, evaluation  
Standard legal text for non-SAB countries<sup>2/</sup>  
Training programmes<sup>2/</sup>  
Equipment requirements<sup>2/</sup>  
Job descriptions<sup>2/</sup>  
Framework for effective participation of national & international staffs<sup>2/</sup>  
Financial & accounting arrangements (for national execution)

<sup>2/</sup> if required

The design of a project and the information required may vary according to SIZE:

- > \$ 150,000 (large-scale)
- < \$ 150,000 (small-scale)

FUNCTION: Institution-building (modules in outputs)  
Direct support  
Training  
Seminar  
Pilot

Based on experience and the feedback of evaluation exercises, guidelines tend to become more specific and come close to providing some sort of standards. How far can this process go?

← CRITERIA AND STANDARDS [see page 6]

**Areas of main concern for donors**  
(how do they affect guidelines, tools, criteria?)

- o Socio-economic aspects
- o Environmental effects
- o Allocation of resources
- o Sustainability
- o Beneficiaries
- o Adequate maintenance
- o Risks
- o Absorptive capacity
- o Supp. to private industries, commercial agreements



## TOOLS

### A. PRIMARY

### B. ANCILLARY

### C. TO WHAT EXTENT CAN CHECKLISTS APPLIED FOR APPRAISAL OF INVESTMENT PROJECTS BE USED? (See FINNIDA: General Guidelines for Project Appraisal)

#### CHECKLISTS:

<ul style="list-style-type: none"> <li>GENERAL CHECKLIST (Internal Appraisal Report)</li> <li>SMALL-SCALE PROJECT</li> <li>WORKSHOPS</li> <li>TRAINING</li> <li>PREPARATORY ASSISTANCE</li> <li>ENVIRONMENT</li> <li>WOMEN</li> </ul>	<ul style="list-style-type: none"> <li>Project database</li> <li>Evaluation reports</li> <li>Meetings/discussions with substantive staff</li> <li>Individual research on documents</li> <li>Appraisal missions</li> </ul>
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Technical Appraisal  
 Technology & engineering  
 Plant layout  
 Cost estimates  
 Implementation schedules  
 Supplies  
 Outputs

Institutional & Managerial Appraisal  
 Plant/project organisation  
 Managerial skills  
 Utilization of local capabilities  
 Training provisions  
 Relation to country institutions

Environment Aspects Appraisal  
 Waste management  
 Ecological impacts  
 Health

Financial Appraisal  
 (Non-income projects)  
 Sustained availability of funds  
 (Non-profit projects)  
 Subsidies  
 (Profit projects)  
 Net income/loss  
 Assets/liabilities  
 Cash flows, etc.

Social Aspects Appraisal  
 Income distribution  
 Job creation  
 Women participation  
 Regional development  
 Effects on traditional life pattern  
 Cultural/political effects

Economic Appraisal  
 Shadow or social prices  
 Transfer payments  
 Indirect effects

Sensitivity Analysis  
 Quantities and prices of outputs & inputs  
 Time-frame for project implementation

Commercial Appraisal  
 Demand  
 Marketing channels  
 Procurement procedures

Legal Aspects Appraisal  
 Contracts among parties concerned  
 Licencing procedures  
 Financing procedures  
 Procurement procedures

A CHECKLIST is a tool to assist in the appraisal process, as a reminder to the appraiser of certain key questions which should be considered before recommending whether or not a project should be approved. A checklist does not attempt to cover every question appropriate to the proper appraisal of a project; not all questions in the checklist are necessarily applicable to all projects. It must be applied with common sense. (UNDP)

MEASUREMENTS: To each question in the checklist appraisers are supposed to answer with a value judgement. To what extent are such judgements based on:

- o logic
- o common sense
- o personal experience
- o common experience
- o specific parameters

## SOME CRITERIA FOR OVERALL QUALITY

### CRITERIA

**RELEVANCE:** Consistency of the immediate objective(s) with (a) the central problem identified and (b) the priority needs of the recipient country (or group of countries) as indicated in the Development Objective.

**FEASIBILITY:** The extent to which a project is likely to achieve its immediate objective(s).

**COST-EFFECTIVENESS:** Envisaged relationship between the costs of implementing a project and its expected benefits (outputs or objectives)

**SUSTAINABILITY:** A project can be considered to be sustainable when it is able to deliver benefits for an extended period of time after external assistance has been terminated.  
(DAC principles, para.20)

### COMMENTS

A project might be found to be both feasible and cost-effective - as described below - but still not be relevant because it fails to make a significant contribution to the solution of the identified problem or the attainment of the long-range goals and priorities of the recipient country.

There are several key factors which may affect the consistency of the proposed project strategy, such as:

- (a) the adequacy - both in qualitative and quantitative terms - as well as the timeliness of all inputs, including counterpart support capacity;
- (b) the nature of the prior obligations and prerequisites which are required for project implementation;
- (c) external risks;
- (d) the attitude of the project beneficiaries.

When comparing different strategies for the same project or different projects, the alternative to be preferred is that one which requires the lesser cost to produce the expected outputs/achieve the objectives.

Depending on each project sustainability criteria may include:

- (i) Conducive policy environment
- (ii) Clear and realistic goals
- (iii) Economic soundness and sustainability
- (iv) Affordability in terms of initial costs and of operations & maintenance
- (v) Active involvement of local authorities and counterparts.
- (vi) Choice of technologies appropriate to recipient's economic and social conditions
- (vii) Realistic time-frames
- (viii) Adequate maintenance and support systems, and their management after project completion
- (ix) Compatibility with socio-cultural environment
- (x) Environmental sustainability.

### MEANS OF ASSESSMENT

- (a) Logic; common sense
- (b) Logic; experience

[ see p.3 ]

- (a) Quantifiable indicators

- (b) Experience

- (c) Experience; common sense
- (d) Experience

[ see p.3 ]

Experience; quantifiable indicators.

[ see p.3 ]

### STANDARDS

**At present**  
There are no generally acceptable yardsticks against which to measure the relevance, feasibility & cost-effectiveness of technical cooperation projects.

Technical cooperation projects elude simple and rigorous criteria [UNDP; Manual on how to write a project document ]

**In the future**  
Would it be possible & necessary to develop such standards based on:

(a) the feedback from evaluation exercises [ see p.4 ]

(b) the analysis used in connection with investment projects [ see p.5 ]

(c) Other?

POST SCRIPTUM: SOME BASIC ISSUES

Particularly in the case of funds for which projects are very often developed on a case by case basis without any significant programming or initial screening with recipients' involvement, it is noted that:

1. There is often an incompatibility between the need to obtain quick results in the short-term and the need for strengthening local capabilities in the long-term.
2. Projects are often designed for objectives identified by UNIDO and/or the donor for the recipient - not vice-versa.
3. Technical cooperation is provided free of charge to the recipients; their costs are generally limited to administrative and logistic support.
4. Resulting partly (but not only) from this, the commitment and involvement of the recipient is weak. Indeed counterparts are viewed in general as the "assistants" of the foreign experts who act as frontline operators. Should these roles not be inversed, so that the supplier of services (foreign expert) is the counterpart of the "buyer" of services (the recipient institution and its staff)?
5. In this connection, the inadequate local cost funding of projects tends to reduce the effectiveness and quality of projects and threaten their sustainability.

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