Operational Manual

Project Submission Format

Department of National Planning

Ministry of National Policies, Economic Affairs, Resettlement & Rehabilitation, Northern Province Development, Vocational Training & Skills Development and Youth Affairs

Sri Lanka

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About This Operational Manual

The Purpose of this Operational Manual

1. The purpose of this document is to guide the Government agencies at national and sub national level to prepare project proposal(s) for appraisal using revised project submission format of the Department of National Planning (NPD) to recommend for financing.

2. It is expected to formulate strategic and result-oriented project(s) to address the real needs of the targeted population, area or sector and then adequately summarize the key information into project proposal for appraisal. The proponent shall make their best efforts to prepare persuasive proposal(s) as it is the central document for appraisal in NPD.

3. The items of NPD's project submission format are so arranged to make the project proposals logical in their presentation and require the project proponent to prepare the proposal in coherent and consistent manner. In supporting the project proponent, this document provides guidance Item by Item in the same order of NPD's project submission format, so the project proponent can easily find the specific guidance on the particular item of the format he/she would like to refer to.

4. In addition to the separate guidance for each item, this document also tries to group several items together, which share common underlying concepts and themes and provides some complementary short guidance on such concepts and themes which cut across several items such as results-framework.

5. While this document mainly targets planning officials of line ministries and public implementing agencies, officials in other government offices such as those in sub-national government offices may also use this as a reference document.

6. This main body of this document provides short and concise guidance. For those who would like to know more details on the tools and instruction for selected topics, this document also provide relevant supportive tools, and instructions on result-oriented planning in the appendices to help relevant planning officials in their respective work areas to conduct adequate analysis for project preparation.

Content

An Introductory Note for Planning Result-oriented Project

Formulating a Project

Figure 1: Project Lifecycle

The phases of project initiation, conceptualization and planning are one of the most critical stage in the entire project life cycle. If the proposed project is designed well or not could directly affect the later phases of cycle especially the stage of project execution. The project has thus to be carefully prepared and designed by taking fully into account the entire project cycle.

The results-based project planning processes discussed in this document are in line with international best practices.

Principles of Project Planning

There are seven main Principles in Project Planning. They are:

- **Comprehensive** – all significant options and impacts are considered.
- **Efficient** – the process should not waste time or money.
- **Inclusive** – people affected by the plan have opportunities to be involved.
- **Informative** – expected results are understood by stakeholders (people affected by a decision).
- **Integrated** – individual, short-term decisions should support strategic results.
- **Logical** – each step leads to the next.
- **Transparent** – everybody involved understands how the process operates.

The planning framework of a proposed project

The planning framework of a proposed project in general includes the following.

i. ***Principles*** – A basic rule or concept used for decision-making.

ii. ***Vision*** – A general description of the desired result of the planning process.

iii. ***Need/Problem*** – An undesirable condition to be mitigated (solved, reduced or compensated). This include need, problem or need based problem to be addressed.

iv. ***Outcomes*** – A general desirable condition to be achieved in relation to problem or need situation identified above.

v. ***Performance indicators*** – Practical evidences and ways to measure progress towards achieving intended outcomes, such as specific definitions of income.

vi. ***Targets or standards*** – Quantitative levels of outcomes to be achieved. Standards are sometimes required by law or regulation.

vii. ***Detailed Plan*** – A scheme or set of outputs to be delivered and actions to be executed to deliver them. This may be a strategic (general and broad) or an action (specific and narrow) plan.

viii. ***Risk and assumptions* -** Risks refers to the conditions that are less likely to happen (may or may not happen, uncertain), but could negatively affect achievement of results and are beyond direct control of the project. Assumptions refers to the conditions essential to achievement of expected results, that are likely to happen, but are beyond direct control of the project.

ix. ***Costing and Project Budgeting* -** The value of financial resources that are required to achieve the identified results. It shall also have the detailed breakdown of total financial resources needed including both capital costs and costs for operations and maintenance, which shall be separately stated. In preparing the project costs, the proponents shall also assess human resource requirements as well as other resource requirements such as technology, know-how, machinery and tools, land etc.

x. ***Social considerations (safeguards)*** – Social aspects which need to be considered during the project planning such as perspectives of gender and differently-abled persons and resettlement issues.

xi. ***Monitoring, Evaluation and Reporting plan*** – How we plan to monitor, evaluate and report the progress on achievement of identified results.

xii. ***Economic and financial appraisal*** – The resources are limited, and opportunity costs attached to it, it is necessary to appraise the benefits (outcomes) achieved by the project against the cost to assess whether it is worthwhile undertaking the Project/programme.

Items on General Information of the Project

Items from one to five are for the general information of the project.

1. Project Title

Please give an appropriate project title, which is concise and adequately summarize and represent the content, especially the envisaged output and outcome of the project.

e.g. The Project for Enhancing the Health Status of the People through the Improvement of Water Supply System in XXX District

2. Sector

Please choose appropriate sector(s) as well as subsector(s) from the list below.
e.g. Sector 3 Infrastructure / Sub-Sector 3-1 Power and Energy

Sector	Sub-Sector
Agriculture	Agriculture
	Plantation
	Fisheries
	Livestock
Industry & Trade	Industry
	Internal Trade
	International Trade
	Tourism
Infrastructure	Power and Energy
	Irrigation
	Urban Development
	Housing
	Water Supply and Sanitation
	Transport
	Roads
	Port
	Aviation
Regional Development	Regional Development
	Rural Development
Human Resource Development	Health
	Education
	Higher Education
	Skill development
	Labour
	Foreign Employment
	Sports
	Youth Affairs

Sector	Sub-Sector
Environment Management	Environment
	Wildlife and Forest
	Disaster Management
	Land
Social Protection	Women Empowerment
	Child Protection
	Elderly Care
	Empowerment of Differently Abled Persons
	Prisoners Welfare/ Rehabilitation
	Empowerment of Other Marginalized Groups
	Welfare and Social Security
Communication, Technology and Research	Information and Communication Technology
	Science and Technology
	Posts
	Mass Media
	Telecommunication
Governance	Public Administration
	Special Spending Units
	Foreign Affairs
	Internal Affairs
	Defense
	Justice
	Law and Order
	Cultural and Religious Affairs
	National Integration and Reconciliation

3. Project Location

Specify the Project Location (Indicate the place/s - Province/s, District/s, Divisional Secretariat division/s, Grama Niladhari division/s) where project activities take place. Provide additional description (if necessary) and the map of the area covered.

4. Land Requirement for the Project (if relevant)

The project proponent shall describe whether the project requires any land to be allocated for the project and answer questions in this Item.

Some projects may not require any land to implement the project. In such instances, the proponent just states N/A (not applicable).

5. Project Preliminary Activities

Certain projects generally required project preliminary activities such as pre-feasibility assessments, environmental risk assessments to be undertaken, well before the final project proposals are prepared.

If any such reports have been prepared, attach them as annexes to the project proposal. And tick (✔) the reports that have been attached in the Table in the Item 5 on “Project Readiness”.

Items on Basic Project Design / Framework

The items from 6 to 9 of the format need the basic framework of the project. These four items as well as the next group of items from 10 to 16 on results and risk-based project framework are all closely inter-related and arranged in logical order, so the proponent must carefully present these items in coherent and consistent manner. The project proponents should ensure that the descriptions in these items are persuasive and adequately supported by relevant data.

6. Project Objectives

This refers to the reason why this project should be implemented. Care should be taken to avoid stating that the project should be implemented to carry out the activities or to deliver the outputs of the Project. The objective(s) of the Project focuses at higher level than the activities and outputs of the Project.

e.g. Objective of the Southern Highway Project, could be "Improved economic activities between south and the Capital and predictable travel".

e.g. Objective of a water supply project, could be ''Reduction in incidences of water borne diseases from 2.8% to 0.2% by 2020 in six districts''.

7. Rationale of Project

The project rationale is one of the most important elements of a project proposal because it is this Item that convince the Government as to why it is absolutely necessary to implement the project. The Project rationale explains why the project is worth doing in the first place. The project rationale presents a compelling reason for committing resources to this project rather than something else.

The preparation of "rationale" Item can be regarded as the conduct of "needs assessment" or the "problem analysis", analyzing and describing the needs and problems the community etc. is facing and how the proposed project will address them. It must provide clear evidence of why this project is necessary.

It's easy to fall into the trap of circular reasoning here, so be cautious. For example, say the proposal is for a new sports stadium where there is currently only a playground. The simple lack of a Sports Stadium is not a sufficient rationale for building one. Nor does the fact that it's possible to build the Sports Stadium provide an acceptable argument that it must be built. The rationale should explain why the current playground and the infrastructure are insufficient, how the new sports stadium would remedy that insufficiency, and why the sports stadium would be a wise use of this particular space. These details should be presented in Item 7 of this project submission format.

7.1 Specific problems and needs to be addressed by project

This sub-Item of the submission format consists of the following specific questions;

- What is the problem, need or the existing gap / deficiency?
- What are the root-causes, underline causes and immediate causes that contribute for the problem or the need that the project intends to address?
- How does this project contribute to fulfil the existing gap in the sector?
- Mode of intervention of this project to address the gap?
- Other alternative modes of interventions, if any.

To adequately answer these questions, the project proponent shall first accurately define the "problem" (and/or need) that necessitates any form of project intervention. The problem description in the proposal should elaborate the scale and magnitude of the problem with adequate data as to where, how and what causes the problem etc. Whenever necessary, the project proponent is also advised to consult with relevant stakeholders including intended beneficiaries and the affected parties. Specific explanations on each question are provided below in the respective headings;

7.1.1 What is the problem, need or the existing gap / deficiency?

Please concisely describe the development problem (gap/deficiency) of the population under concern are currently facing with adequate data.

The description should not rely on the "perceived" problem but shall be based on the result of appropriate needs analysis or problem analysis using multiple information, which would include the results of stakeholder consultation.

7.1.2 What are the root-causes, underline causes and immediate causes that contribute for the problem or the need that the project intends to address?

The analysis also needs to include the cause of the identified problems.

7.1.3 How does this project contribute to fulfill the existing gap in the sector?

Please explain how your project contributes to address the identified gap (problem) as described in 7.1.1 above with concise explanation on the project.

7.1.4 Mode of intervention of this project in addressing the gap?

Please describe the mode of intervention of your proposed project in addressing the identified the gap (problem(s)) described in the 7.1.1 and 7.1.2.

7.1.5 Other alternative modes of interventions, if any.

Please describe any other mode of alternative project interventions considered if any during the process of project preparation. The proponent shall also give reasons why this mode of interventions depicted in 7.1.3 above is selected over other alternatives. During the project preparation process, it is desirable for all the project proponent to consider and discuss alternative mode of interventions in effectively addressing the identified development problems before determining the final project design.

Guidance to describe the current situation, causes and strategies

Assessing the current situation, diagnosing the cause of problems in the province/area is required to identify what the Project response should be. Based on the problem analysis, the root causes for the problem will be identified and responsive strategies targeting the root causes developed. Several strategic options to address the root causes may be identified to be implemented over a period of time.

Practical and feasible strategic interventions to be implemented in the Project period need to be identified, prioritized and budgeted for in the Project plan. Other options for strategy interventions that may be appropriate for longer-term implementation can be included in respective long-term plans.

For the identification of root causes and formulation of effective response strategies, the project proponent may adopt tools such as problem tree analysis, objective tree analysis and outcome hierarchy analysis.

7.2 Target beneficiaries

Beneficiaries refers to an individual, group/s, or any entity that is the focus of receiving the benefits arising out of a project/programme. Beneficiaries include both direct and indirect recipients of goods and services produced by the project/programme.

8. Relationship of the Project to National Policies and Strategies

Regarding the linkage(s) of the proposed project to any relevant national policy(ies), strategy(ies) and sectoral master plan(s), please appropriately answer and provide information in the respective questions.

National framework and the related national development plans are also the documents which articulate the national-level outcomes and targets. The contents of project proposals should thus be in line with these plans and its targets.

9. Coordination with Stakeholders and Partners for Implementation of the Project

During the project preparation process, all the project proponents shall consult and proactively coordinate with relevant stakeholders and project implementing partners including ministries, provincial councils and other agencies. Such proactive coordination and consultation are essential to ensure maximization of effectiveness and efficiency of project implementation while minimizing unnecessary wastages. More specifically, such prior coordination is expected to lead to better project design such as;

- Ensuring the cross-sectoral complementarity and integrated design with other relevant projects and development interventions in preparatory, ongoing and completed stages especially with the view to maximizing the utilization and management of public assets.
- Avoidance of overlap and duplication of scope and activities with other projects; and
- Avoidance of unnecessary scope changes of project design during the implementation.

Consultation and coordination with other stakeholders during the project preparation shall be proactive one so as to explore any potential opportunities for integrated and enhanced project design leading to better and wider project outcomes and impacts.

e.g. For an urban development project, relevant agencies such as Road Development Authority, National Water Supply and Drainage Board, Ceylon Electricity Board, Sri Lanka Telecom, Local Authorities, Department of Irrigation, would be stakeholders and need to be consulted. Necessary information in this regard should be furnished.

Items on Project Results and Risk Framework

Within the basic design and framework of the proposed project presented in the preceding Items from 6 to 9, the proponent shall now map out the project results and risk frameworks. As in the previous Items, all these Items are closely inter-connected and laid out in logical orders. The proponent is thus expected to first carefully prepare these frameworks in integrated and coherent manner and then write them down in respective Items. Also, please ensure that the contents of these Items are consistent with that of preceding Items 1 – 9.

****In page 14** of this document, **short explanatory notes on common terminologies of results-framework** related to Sub-Item 10.1, 10.2, 10.3, 11 and 16 are presented for reference.*

For those who would like to learn more about **the logic model, which are frequently used to construct results-framework, please see **Attachment 1**.*

10. Project Impacts, Outcomes and Outputs/ Result Framework of the Project/ Performance Framework of the Project

The proponent shall prepare an adequate project result-framework based on the problems or needs identified and fill in the preceding Items of the format.

Project proponent is advised to conduct consultative sessions with stakeholders before deciding on key performance indicators (KPIs) since these will measure achievement of outcomes and outputs in the future. Discussion of the evidences in monitoring and evaluation reports typically also leads to recommendations about project/programme improvement and accountability.

10.1 Project Impacts

Impact refers to the changes or effects that take place as a consequence of one or more outcomes. Impact is typically a shared result with the contribution of one or more outcomes from one or more project(s). Impact may be long or medium term but not necessarily be so in some cases and it is more of a follow-through consequence of one or more outcomes rather than strictly time-bound.

e.g.

- Improved quality of life of farmers
- Increased literacy rates
- Increased GDP

10.2. Project Outcomes

Outcome refers to the changes or effects of the outputs produced by a project/programme. Outcomes are typically associated with the proposed project. A project/programme is expected to produce one or more outcomes that are directly linked with the needs/problems of its beneficiary group/s. Outcomes generally should occur in the short term when a project/programme has been implemented. (e.g. see the outcomes identified below, in relation to the problem situation)

Problem	Intervention	(Preliminary) Outcome
High incidences of water borne diseases in the rural areas in certain districts	Rural Water Supply and Sanitation Project/s	Sustained reduction in water borne diseases in Project areas
High unemployment of youth	500 Garment factory Programme	Reduction in youth unemployment
High incidences of HIV Aids	National STD/AIDs Control Programme	Sustained reduction in new HIV infected cases

Preliminary Outcome(s), Intermediate and Tertiary Outcomes and Impact

The project will be formulated and implemented to resolve the problem or needs fulfilment. As the project is created solely for to address the needs or problems identified, the project will be accountable for achievement of intended situation of needs fulfilled or problem resolved. This change that is brought about by the Project and for which project is held accountable for, is identified as the **Preliminary outcomes**. Other consequential changes that are also contributed by other initiatives and projects are identified as **intermediate and tertiary outcomes**. Higher level changes that are taking place and are contributed by many outcomes are known as **impact**.

10.3 Project Outputs

Project outputs are the goods and services delivered to the target beneficiaries by the project, in order to achieve the intended outcomes identified in Item 10.2. The outputs should be the ones which directly influence the achievement of expected outcomes. In other words, the outputs must be identified in relation to the causal factors of the identified problem or assessing how we should fulfil the needs.

e.g: In order to achieve the outcome of sustained reduction of water borne diseases in the rural villages where the project is implemented, the outputs generated by the project were:

- Improved access to safe drinking water,
- Increase access to sanitation facilities (toilets),
- Increased awareness on hygienic and sanitation practices by the rural households, etc.

Need for distinguishing "Process Outputs" and "Programme (Project) Outputs"

Outputs should be distinguished in terms of process outputs and programme (project) outputs. Process Outputs are the outputs produced by a set of activities or processes (training workshops completed). Programme (project) outputs are the final outputs that were intended to be produced by the programme (project). Outputs should be more directly relevant to the achievement of desired outcomes.

E.g. knowledge and skills gained by the participants from a workshop, increased access to safe drinking water, increased and safe passage between cities in the country, increased access to

10.4 Planned Activities in Achieving Outputs

In this item, the proponent shall write down the schedule of key activities to achieve the outputs described in the Item 10.3.

The adequate description of "activities" in this item is not only essential for the purpose of monitoring project progresses and evaluation, but also to help the proponent appropriately calculate the cost of project inputs.

This item is particularly important for those projects consisting of multiple sub-components with multiple outputs. For even projects with simpler design such as construction of a school building etc., the proponents are encouraged to adequately breakdown the envisaged actions for project implementation to enhance project costing and M&E.

11. Aligning the Project Objective/s with the Relevant Sustainable Development Goal/s (SDGs)

This Item highlights the link between the project goals with the SDGs (https://www.un.org/sustainabledevelopment/sustainable-development-goals/). The project proponent needs to indicate which goal(s) of SDGs the proposed project will be contributing to and the country level targets as per the SDG indicators.

12. Potential Negative Impact on Socio Economic Activities and Environment by the Project

The implementation of the project can contribute to socio-economic and environmental impacts both positively and negatively. The project submission format requires these to be included in the project proposal. First, the potential negative impacts are marked (✔) on the table of the item 12. Wherever, the potential negative impacts are identified, the proponent need to elaborate on the proposed actions to mitigate the negative impact by the project. Such proposed actions to mitigate the impact could be implemented by the Project itself or could be implemented by other projects, programmes or initiatives, depending on the scope of work and their mandate. In any case, the proponent should describe the measures to be taken to mitigate such negative impacts either in the item or in a separate document if any.

13. Risk and Assumptions

Risks refers to the conditions that are less likely to happen (may or may not happen, uncertain), but could negatively affect achievement of results and are beyond direct control of the project.

Assumptions refers to the conditions essential to achievement of expected results, that are likely to happen, but are beyond direct control of the project.

Risks and assumptions could be presented in general terms in relation to the project as suggested by the project submission format. However, as there many risks and assumptions that are relevant to the achievement of results at various levels, this guide encourages the users to present the identified assumptions and risks under each level of results so that the project proponent is compelled to take them into account and act while implementing.

***An example of risks and assumptions** in relation to a water supply project is presented under **Attachment 2** to this guide.*

i. ***What are major assumptions***

   The assumptions need to be presented here in relation to applicable outcome or the output discussed above.

ii. ***What are the risks and mitigation measures?***

   The risks that are identified in relation to each of the outcomes and outputs discussed above need to be presented in this Item along with the mitigatory measure/s.

iii. ***Are these mitigation measures included in project activities?***

   The achievement and delivery of project results (outcomes and outputs) depends on many critical success factors. These includes risks and assumptions as well. The objective of this Item is to identify the relevant assumptions and risks and to formulate the required modes of assurances (for assumptions) and formulate effective mitigatory measures for risks to ensure achievement of results.

14. Mainstreaming the Disaster Risk Reduction (DRR) into the Project

Sri Lanka is increasingly facing risks of serious disasters such as landslides, flooding and drought among others due to climate change and other factors. In such situation, there is more likelihood that projects as well as the facilities, product and services initiated by projects would be affected by such disasters. Moreover, inappropriate design of project could worsen the damage of disaster or even lead to man-made disaster. Conversely, well-designed project appropriately incorporating the measures of Disaster Risk Reduction (DRR) could eliminate, mitigate or lesson such disaster risk.

With this backdrop, it thus becomes imperative for all the project proponents to carefully examine the potential disaster risks associated with the proposed project and proactively incorporate the aspects of DRR into the project whenever necessary. Based on such DRR-related analysis and project preparation, the proponent shall then present any identified disaster risks associated with the Project and as to how it plans to address these risks in the respective questions in the item 14.

15. Project Monitoring and Evaluation Plan

This section consisting of 15.1 and 15.2 presents the monitoring and evaluation plans formulated to track the performance and the results of the project/programme. The table assists to plan for monitoring and evaluating the performance and results of each of the project/programme interventions. In order to implement the project/programme effectively and achieve a higher level of performance and results, it is required to know how well we are progressing and how good our performance is. Therefore, it is necessary that we plan ahead on how we get to know about these as we implement the project/programme. This is the focus of this section.

The starting point to prepare this section is the intended results, which have already been described under Outcomes and Outputs Items above (Section 10.2 and 10.3). Accordingly, the description of the project/programme intervention, outcomes, and outputs will be the same as what is described in above Items. Once these details are extracted from the performance Item/s, planning for monitoring would be undertaken by addressing aspects such as indicators, unit of measure, source of data, means of verification, instrumentation, data frequency and responsibility for data collection etc. Once these are appropriately identified and formulated, it is easier for project/programme managers and staff to implement the project/programme intervention in an effective and efficient manner.

An example of monitoring plan *is provided as* ***Attachment 3*** *to this guide.*

NOTE: Explanations on the common terminologies in the results-framework tables in Item 10.1, 10.2, 10.3 and 15s

What are Indicators (key performance indicators)?

Indicators refer to the evidence whether the particular result was achieved or not. It describes evidence that may be used to report on the achievement of certain aspects of a programme result. As there may be a lot of evidence to a result statement, one has to select/formulate the most appropriate evidence to the respective result statement. Therefore, the most appropriate and prominent evidence to a respective result statement has to be identified, as working with many indicators for one result statement is not practical. This most appropriate, prominent, important and practical evidence in relation to the results statement is known as KPI.

KPIs are either qualitative or quantitative measures of results achieved. Quantitative indicators are statistical measures such as number, percentage, ratios, variances etc. Qualitative indicators are judgment and perception measures of congruence with established standards, specific conditions or the level of beneficiary satisfaction.

Project proponents are advised to conduct consultative sessions with stakeholders before deciding on KPIs as it is important to reach consensus on the KPI to be used, since these will measure achievement of outcomes and outputs in the future. Discussion of this evidence in M&E reports typically also leads to recommendations about project improvement and accountability.

Indicators will provide evidence to clarify what you mean by your expected results, they tell you how you will recognize success or failure and they provide a measurable basis for monitoring and evaluation. The indicators should:

- Develop in a participatory approach
- Ensure the relevancy to the user and assist in decision making
- Ensure relationship to results and do not exist in a vacuum
- Ensure having quantitative and/or qualitative indicators

What is Unit of Measure?

Indicators are measured in some form of quantitative manner, i.e. either as a number, percentage, ratio, range, numerical analysis or point in a scale. Please refer to the example below.

Examples for unit of measure for indicators

	Indicator	*Unit of Measure*
1	Prevalence of HIV cases	% of Population
2	Extent of awareness among the general public (Adults)	%
3	Number of doctors per 10,000 persons	No. of Doctors
4	Number of beds per 10,000 persons (excluding in Commune Health Stations)	No. of Beds
5	Life expectancy	No. of Years

What is Means of Verification?

Specify how the project plans to verify the data collected and source(s). An important aspect of verification is the reliability and credibility of the data.

The list given below provides a few examples of means of verification of data for projects. Note the type of data for indicators and how the project wishes to verify the reliability and credibility of the same.

Example:

- Literature review (review of published data-mostly external and statistics)
- Review of internal documents, reports and publications
- Own data analysis (Project data analysis)
- Management reports, minutes and memos
- Minutes/reports on key-informant-interviews/one-to-one meetings

- Minutes/reports on focus group discussions and stakeholder meetings
- Minutes/notes on telephone interviews
- Feedback from clients and stakeholders (in various ways: complaints, suggestions, complements, mail replies and letters)
- Questionnaire surveys
- Reports on compass workshops
- Reports on inspections, observations and site/field visits

What is Baseline?

The baseline performance level can be measured in terms of a percentage, ratio, absolute figure or any other meaningful form of measurement as identified for the KPI. The data source must be quoted (as a footnote) when completing this field. This will be used as a baseline performance level for the Project to compare its level of progress in achieving the KPI in a particular year against the baseline year and its performance.

What is Baseline Year?

A baseline year is the year used for comparison for the level of a particular performance index. E.g. prevalence of HIV AIDS in the province was less than 0.2% in 2017 (current year). In this case the baseline year is 2017 and the baseline performance was less than 0.2%. If the current year data are not available, then data pertaining to a previous year could be used as baseline data and baseline (BL) year.

Setting targets for the next year/future years

The targeted performance levels for the project period will be included in the table (there may be targets to be set for next two to three or four-year periods in some other project documents). The targets indicated in this column for each of the results statements are the levels of results to be achieved by the project during the project period. The targets are set for each of the results at outcome level as well as output level.

16. Project Budget

This item of the project submission format deals with the total estimated cost, budget and financing of the project. It is essential that all cost components are included in the total project budget as it would be difficult to source additional funds at a later stage, if they are not included in the original budget. Further, if all activities that are needed have not been included, then some of the essential project activities could not be undertaken, leading to project failure. Therefore, it is critical that all required activities based on the project results and risk framework are adequately reflected and costed in the project budget. Some of the activities that tend to get excluded but are advised to be part of the project budget are: cost of monitoring, costs of undertaking evaluations, surveys and studies and handing over / project closing activities. Also, the project proponent shall adequately estimate not just capital costs of the project but also the envisaged costs for operation and maintenance, which should be clearly and logically stated in the respective sections of the project submission format.

The total project budget is desirable to be presented to all the key stakeholders and obtain their buy-in and approval, before submitting to NPD for appraisal.

16.1 Cost Breakdown

Cost should be estimated in relation to each component for the total period of project.

16.2 Details of the Activities (Construction, Purchase of Equipment and Vehicles)

If the proposed project is related to construction work, purchase of equipment and purchase of vehicles, explain each cost item mentioned in the table of 16.1. Attach the necessary detailed cost sheets as annexes to the project report.

17. Financing Plan

This item of the project submission format presents the planned sources of funding for the project.

17.1 Method of Financing

The funding for the project could be from multiple sources. There are many projects implemented only with domestic funds while certain number of projects at present implemented with both foreign and domestic funds. In addition, some projects are also contributed by the communities and the private sector.

17.2 Revenue Forecast

There are some projects capable of generating revenue during the project operational period. If the project expects to generate any revenue, that too need to be presented. Attach the necessary detailed information as annexes to the project report.

17.3 Project Operation and Maintenance Costs after Completion

An appropriate system/s has to be developed for the sustainability of the project. Therefore, project operation and maintenance cost need to be presented classifying the cost component under each of the sources of funding.

18. Resettlement Activities (if applicable)

Major public investment projects using the sizable land areas could often necessitate the resettlement of inhabitants in the designated project area(s). The typical projects which often requires the resettlement include road construction, large-scale public housing schemes, development of large-scale economic zones, large scale irrigation projects, expansion of major hospitals and educational institutions among others.

Whenever such projects are being prepared, the project proponents must carefully analyze the potential resettlement needs and adequately plan and incorporate such resettlement activities into the proposal as including the costs associated with the activities. During preparation, the project proponents should also adequately conduct necessary consultation with relevant stakeholders especially those who are deemed to be resettled due to project implementation.

If this resettlement aspect is applicable to the proposed project, the proponent shall fill in the table in the submission format. If the project entails multiple and complex resettlement activities which cannot be adequately presented in the table given, the proponent is then advised to provide explanation on such activities in more details as an annex.

19. Gender Perspectives

All the project proponents shall proactively mainstream gender perspectives into the design of proposed project all through the preparation process. Some projects are designed to specifically address gender gaps as their main objectives while other projects would incorporate effective gender strategies into their designs to contribute to rectifying imbalances in the target sector/area. Whatever the case, all the proponents should carefully examine proposed project from gender perspectives and if necessary, they must adequately mainstream necessary gender strategy(ies) and activities into their project designs with concomitant costs whenever necessary.

20. Differently Abled Persons' Perspective

It is imperative for all the proponent to ensure that the plan and design of the proposed project ensure the rights and needs of differently abled persons such as the incorporation of universal access into the design of infrastructure project. The proponents also need to indicate whether the cost of these activities and measures are included in the total project cost or not.

The project may have to address the differently abled persons in the project area or will have to address their needs in a different manner in implementing the project. These actions planned by the project should be separately presented in the project proposal.

Items on Implementation Arrangements and Project Sustainability

21. Implementation Arrangements

22.Arrangements for Sustainability, Operation and Maintenance after completion

Under these sections, each of the main activities of the project must be carefully designed and planned with adequate implementation mechanism including staffing and arrangements for sustainability, operation and maintenance after project completion. The project proponents are expected to describe such arrangements n and assign responsibilities to specific units and individuals to ensure timely achievements and sustenance of the expected outputs and outcomes. Taking into consideration of all the aspects of implementation and project sustainability including the above points, the proponent should fill the respective sub-items of the submission format.

23. Findings of the Economic and Financial Analysis

Another important information that need to be provided in the project proposal is the result of economic and financial analysis (appraisal) of the proposed project. Such analytical results shall be accompanied with the worksheets used for the analysis as the attachment to the project proposal.

Generally, in undertaking economic and financial appraisal of the proposed project, the proponent first considers the characteristics of the proposed project and select appropriate and feasible analytical tool(s) among the methods listed in item 23 of the project submission format, which are;

- **Cost-Benefit Analysis (CBA) Methods**
  - Economic Internal Rate of Return (EIRR)
  - Economic Net Present Value (ENPV)
  - Cost-Benefit Ratio (c/b)
- **Financial Analysis Methods**
  - Financial Internal Rate of Return (FIRR)
  - Financial Net Present Value (FNPV)
  - Payback method
- **Cost-Effectiveness Analysis**

Among the various analytical methods, EIRR, ENPV or c/b, which are the three mostly commonly-used techniques of CBA, are often considered to be the most preferred methods of project appraisal as they can examine the net contribution of the project to the economy and to society. For major infrastructure projects such as the road construction projects, it could be relatively easy to apply CBA methods such as EIRR and ENPV as valuing benefits of such projects are relatively straight-forward with established choice of indicators and methods.

On the other hand, it is not generally easy for social sector projects like education projects to apply CBA due to general difficulties to value their benefits in monetary terms. In case of such projects, the best alternative method can be Cost-Effectiveness Analysis, which are undertaken by comparing incremental impact of the project with incremental project cost in discounted present value.

For some projects such as those in small and micro scale, the application of such relatively robust analytical methods like CBA and Cost-Effectiveness Analysis may not even be either feasible or worthwhile considering the time and cost required for such analysis especially in the situation where the necessary data is not readily available. In the case of projects with quantifiable financial return, various financial analysis methods such as FIRR, FNPV and Payback methods might be alternatively used. For other projects mostly with intangible benefits, the proponent may present the analytical results based on multiple criteria using the combination of available numerical and qualitative data. This analysis should indicate to what extent the proposed project would bring benefits in economic terms to the national economy and society over costs.

EIRR - Economic Internal Rate of Return

The Internal Rate of Return (IRR) calculates the discount rate at which the sum of cost streams i.e. capital investment and operation and maintenance and estimated value of benefits generated from the operations is zero and shows this discount rate as the rate of return on a project as a percentage.

Among major methods of IRR, it is essential to clearly distinguish two methods of “Economic” IRR and “Financial” IRR. The former seeks to appraise the project in terms of its net contribution to the economy as a whole while the latter tries to examine viability of the project from the investor’s perspective. In undertaking analysis, EIRR thus uses “real” price which eliminates distortion of market prices due to controls and transfer payments such as taxes and subsidies. The real prices used in EIRR, i.e. the undistorted price, is equivalent to the opportunity cost which reflects the alternative use of the inputs.

ENPV

The ENPV refers to the net present value of the discounted net benefits i.e. capital investment and operation and maintenance and estimated value of benefits generated from the operations are matched and discounted at the rate of cost of capital. The net result of annual discounted values represents the ENPV. Period in which benefits are derived can be the economic life-span of the investment or operation. These benefits are generally driving after the project is implemented and completed.

As in the case of "Economic" IRR above, "Economic" NPV must be distinguished from "Financial" IRR in that EIRR uses "real" price which eliminates distortion of market prices due to controls and transfer payments such as taxes and subsidies so that the net contribution to the economy and society can be analyzed.

Cost-Benefit Ratio (c/b)

The cost-benefit ratio (c/b) is the discounted sum of all project costs divided by the discounted sum of all project benefits. The decision rule is simply that a project contributes to society if c/b is greater than 1. (Department of National Planning 2001, Chapter 13, "Financial Analysis", Planning Techniques, Colombo)

FIRR – Financial Internal Rate of Return

As above, the method of IRR applied in the financial analysis is called Financial Internal Rate of Return (FIRR). FIRR is the appraisal method to examine viability of the project from the investor's perspective and the analysis of FIRR is based on market price, which does not consider the market distortions unlike EIRR above.

FNPV

The FNPV refers to the net present value of the discounted net benefits i.e. capital investment and operation and maintenance and estimated value of benefits generated from the operations are matched and discounted at the rate of cost of capital. The net result of annual discounted values represents the ENPV. Period in which benefits are derived can be the economic life-span of the investment or operation. These benefits are generally driving after the project is implemented and completed.

Unlike ENPV, the calculation of FNPV is based on market price, which does not consider the distortions in the market.

Payback Period

The Payback period refers to the duration that takes to recover the capital investment from the net estimated financial returns. I.e. The period that would take for the Project to recover its investment from the net annual Financial returns. No discounting of cash flows is required in identifying the pay-back period.

Cost-Effectiveness Analysis

Cost-effectiveness analysis (CEA) is a form of economic analysis that compares the relative costs and outcomes (effects) of different courses of action. Cost-effectiveness analysis is distinct from cost–benefit analysis, which assigns a monetary value to the measure of the outcomes. This is generally expressed in terms of a ratio where the denominator is a value of the gain (of outcomes) and the numerator is the cost associated with the gain.

Items on Project Contact Details

24. Applicant’s Information

The second contact person for both project proponents and forwarding ministry/provincial councils in the format should be the official who could be contacted by NPD for additional details or clarification on the content included in the project proposal.

Guidance on the preparation of annexes for project proposal

While the project proposal needs to be adequately supported by multiple sources of information and data, not all the details of the information and data used to develop the project proposal can be fitted into the main body of the document. The annexes of the project proposal is the last part of the document but not the least important. All supportive sources of information and data used to develop each specific Item of the document must be included in the annexes.

Annexes are also important supportive tools and a data source to be used even after the completion and approval of the project report. They shall be used for:

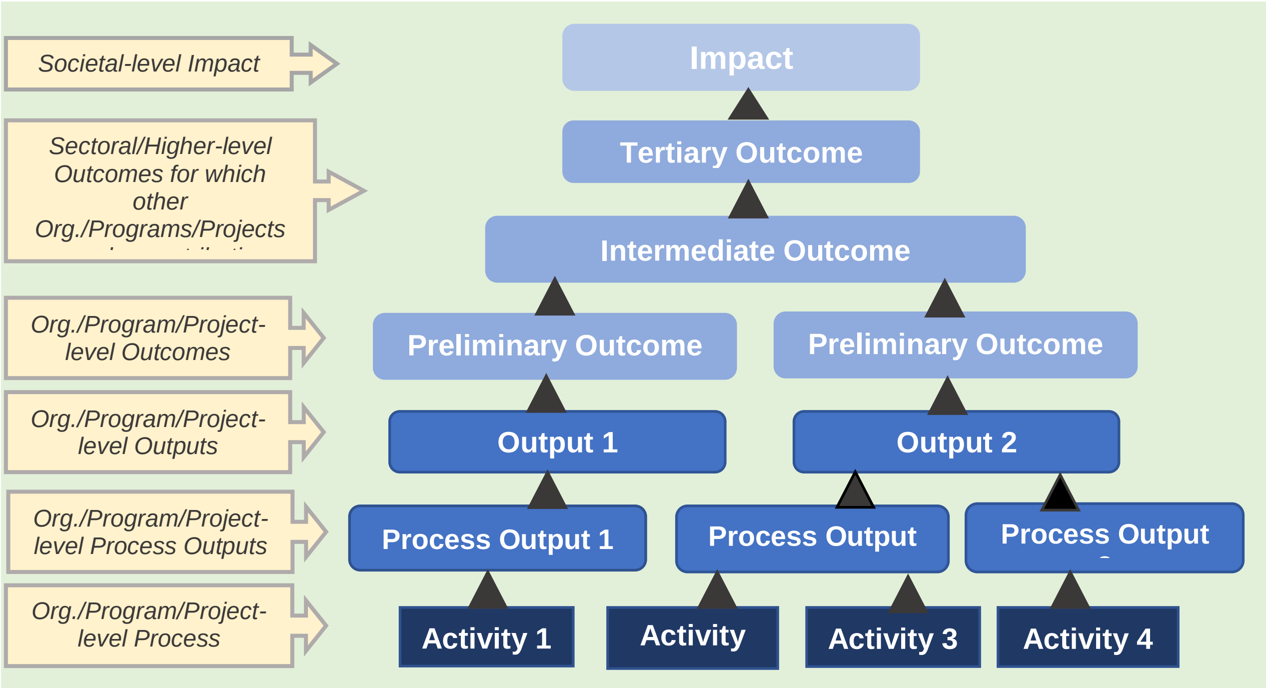
- Detailed clarification of the assumptions used to develop the project
- Provision of evidence sources to support the decision made/adopted for the project development
- Provision of detailed source of data / information to second information included in the project proposal
- Provision of the intermediate matrix and templates used to develop the project proposal, with particular focus on:
    - Performance and monitoring plan;
    - Costing and budgeting breakdown;
    - Implementation arrangements and reporting;
    - Activity based estimated expenditure;
    - Estimated expenditure for administrative operational activities; and
    - Estimated expenditure for capital work.

Appendix 1

Logic Model - An Introductory Note

A logic model is a diagram that clearly shows logical connections between work (activities), outputs and the intended results (outcomes). It shows the rationale behind an intervention or an organization. It graphically shows expected or intended results:

Figure 1: A Sample Logic Model and Linkages



A logic model can be applied to a programme, a policy, a project or an organization. It is useful in planning, planning communication channels, for project or organization management and for monitoring and evaluation. Logic models help identify results at all levels and are directly linked to the results chain as can be seen in above Figure.

Good logic models should:

- Have clear logic. The links between activities, outputs, outcomes and impacts should be logical and clear. The model should demonstrate the 'if…then' logic of the organisation of a project: *if* that activity occurs *then* that output will be delivered
- Be built upon the strategic direction and objectives of the organisation
- Show the appropriate scope and focus
- Have clarity – an outsider should be able to understand the project or organisation by looking at the model
- Have buy-in. Did the development of the model involve the key stakeholders in a participative way?
- A good logic model links outputs and outcomes to sectoral and higher level results and provides the basis for cascading results down to the divisions and units of the organisation.

Another way of developing a logical sequence is to work from your programmes, projects, and activities up to higher-level results. This works well for existing departmental programmes.

- You could start by asking *what* is it that we do? We deliver training staff of a Ministry (this is an activity)

- You can then ask *why?* Why are we delivering training? What would the participants get? The answer to the question becomes the organisational output – Increased skills and knowledge for clients
- Why do we increase the knowledge and skills to the staff of a Ministry? The answer to this question could become the organisational outcome **-** to improve the performance/service delivery the client staff. This is identified as the preliminary outcome as the purpose of our training programme was to improve the organisational performance/service delivery.

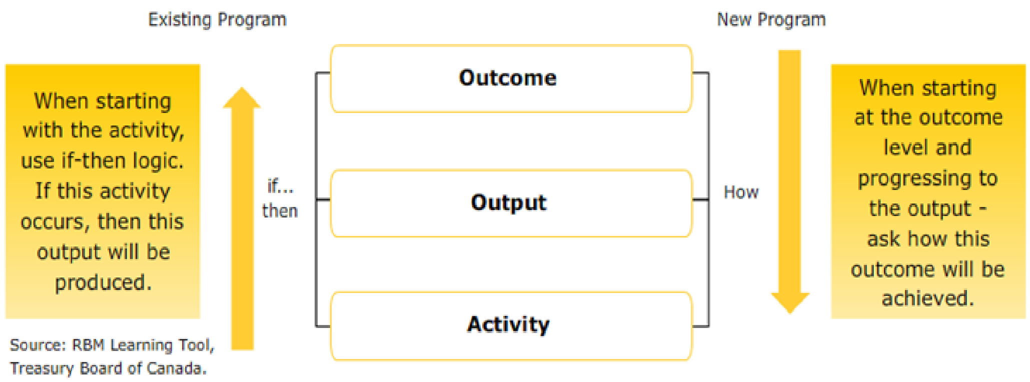
Please note the following about the components of the above logic model / results ladder:

- Organisation outputs are the '***Goods and Services produced and delivered***' by the organisation/programme
- Organisation outcomes are only '***directly influenced'*** by the organisation and the ones that are to be accomplished by the interventions of the organisation/programme.

It is important to note that at the project planning stage, the process follows towards the opposite direction. First, the preliminary outcomes are identified based on the problem or needs and then ask the question "how can we make this change happened". I.e. what goods and services to be delivered to the beneficiaries, if we need to make the intended change happened. These goods and services produced are known as outputs. Then we have to ask the question, if we need to deliver these outputs, what we need to do… what our processes will be, activities will be and resources needs etc.

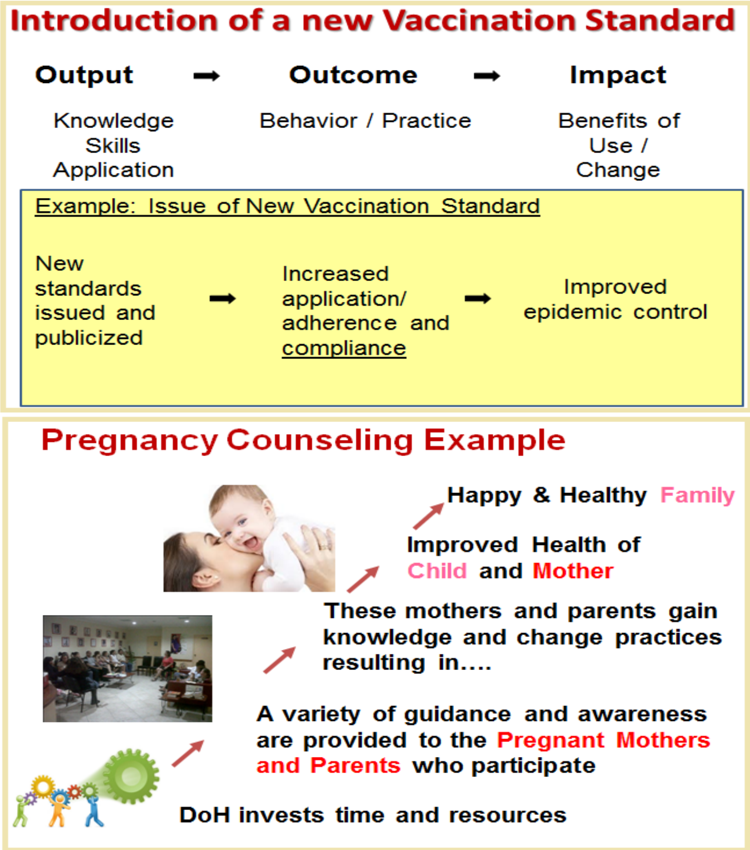
Generally, the results chain can be built starting with the outcomes if the programme is new or still being planned because the activities have not been established. If the programme is already established, understanding can be built starting with the activities. However, in reality, there is merit in thinking about the results chain from a range of starting points.

Figure 2: Moving up and down the Results Chain



An example of a logic model of an ongoing project is given below:

Figure 3: Example of a results chain, linkage and causality



Sometimes the problem with drawing results chains lies in differentiating between different levels of results. The table below provides examples which will assist in deciding whether the results in question is an output, an outcome or impact.

Figure 4: Tips for Distinguishing Levels of Results

OUTPUT	***OUTCOME***	***IMPACT***
• Access to useful product/services (knowledge/skill/(P/K/S)	• Usage of P/K/S • Direct consequences of usage of P/K/S	• Contribute to
• Project/Program control	• Client control	• Wider control
• High attribution to program/project	• Partial attribution to project/program	• Lower attribution to project/program
• Accountable for	• Accountable for preliminary outcome • Manage towards	• Improve contribution
• To / For clients	• Benefit of client use	• National effect
• During project/program	• During/at end of project/program	Post-project/program
• Readily changed	• Need/Project/Program dependent	Dependent on one or more outcomes

For example, in relation to the organization, organization level outputs are 'produced' but outcomes are only 'indirectly influenced'. In terms of accountability, the organization 'manages towards' organization level outcomes but is responsible only for ensuring the 'correct logic' at the level of outcomes.

In addition to making sure that the statements are at the correct level, care is needed regarding how results are worded: all results statements should show change:

- Improved
- Increased
- Enhanced
- Greater
- Higher
- Lower
- Presence
- Absence

In addition, they should ***not*** have phrases such as:

- Through...
- In order to...
- For...

In other words, results statements should not incorporate causality in a single statement.

Result statements should be realistic in terms of money, time and effort. There is often a tendency for organizations to overstate outputs and outcomes.

Appendix 2

An Illustration for Presentation of Risks and Assumptions
- A Case on Rural Water Supply Project covering a few Rural Villages in a Province -

Result Level / Result	Rating	Probability	Effect	Mitigation Strategy
Tertiary Outcome / Impact				
Improved Rural Well-Being				
A - Villages continue to receive other services (education, infrastructure, markets etc.) and on a continuous / sustainable basis				*Coordination of implementations with other ministries and agencies*
R - Seasonal breakdowns in other services	Low	Low	Low	Maintain links with organizations Regular assessment of service conditions and levels
R – Political and social unrests	Low	Low	Low	Ensure social harmony and equity is maintained in the rural community.
Intermediate Outcome				
Improved Health of Rural Community				
A - Households are provided with good health services and are practicing good sanitary and hygienic practices				*Obtain assurances by undertaking evaluations and making observations*
R – Unhealthy overall environmental and societal conditions in the area (e.g. Waste water disposal ignored, broken drainage systems not repaired, solid waste not properly disposed)	Medium	Low	Medium	Ensure sufficient environmental research and provision of adequate resources as a result of action by other stakeholders (LA, Environmental Authority etc.)
R - Seasonal incidents and outbreak of diseases due to other reasons (Tourists/ Travellers, Vector borne diseases and other epidemics etc.)	Low	Low	Medium	Maintain links with organizations Regular assessment of healthiness of rural households Additional investments on preventive campaigns
Preliminary Outcome				
Sustained reduction in Water borne diseases				
A – Households use water from the new source in an appropriate and correct manner				*Obtain assurances by undertaking evaluations and making observations, by the independent group of people*
R - Water contamination at the user points	Medium	Medium	High	Ensure sufficient follow up and additional resources Periodical surveys
R - Improper application of H&S practices promoted	Medium	Low	High	Ensure sufficient follow up and additional resources Periodical Surveys
R – Households continue to use unsafe water from other sources	Medium	Low	Medium	Ensure sufficient follow up and additional resources Periodical Surveys
R – Habits of use of drinking water unchanged (e.g. Safe drinking water is used only at home but not in other places such as farms, workplaces and schools)	Medium	Low	Medium	Measures to improve use of safe drinking water at all times to be implemented on a continuous basis, based on findings on periodical surveys.
Output				

Result Level / Result	Rating	Probability	Effect	Mitigation Strategy
Improved Internal Access to Safe Drinking Water from New Source within all Premises in Village (including households, businesses, community centres and other institutions)				
A - Adequate volume of safe water is available for distribution from the source				*Results of analysis of data on the annual rainfall and reservoir capacity indicate that there will be adequate water at the source, for drawdown by the new infrastructure.*
R - Village households are not able to afford the cost of house connection and tariff	Medium	Medium	High	Assessment of affordability and tariff setting commissioned. Suggestions implemented at beginning. Second and later round of assessment of affordability planned
R - Inadequate number of skilled plumbers and shortage of supplies required to make connections	Low	Medium	High	Training of plumbers in the area planned.
R - Seasonal droughts lead to water shortages / non-availability of water	Medium	Low	High	Measures to improve the protection of the catchment area established and enforced. (E.g. logging prohibited, planting of trees in low density areas, measures for the protection of soil erosion, measures to protect from wild-fire) National level interventions need to be planned to conserve available water
Improved Hygiene and Sanitation Practices ae understood and followed by Users				
A - The households apply and follow the practices promoted / suggested by the community education programme				*Obtain assurances by undertaking evaluations and making observations, by the independent group of people*
A - The households understand the message that are communicated by the programme				*Pilot testing in the filed before implementation* *Continuous assessment based on feed-back*
R - Some households do not change their practices	Low	Low	Medium	Ensure sufficient follow up and additional resources when required
R – Incomplete application of hygiene and sanitation practices promoted by the Programme	Medium	Low	High	Ensure sufficient follow up and additional resources when required
R – Unhealthy overall environmental and societal conditions in the area (e.g. Waste water disposal ignored, broken drainage systems not repaired, solid waste not properly disposed of)	Medium	Low	Medium	Ensure sufficient environmental research and provision of adequate resources as a result of action by other stakeholders (LA, Environmental Authority etc.)
Improved WS O&M and Management by the LA				
A - Skills and assistance provided to LA is sufficient for sustainable WS O&M and management	Medium	Low	Medium	*Ensure that sufficient resources dedicated to build relationships & trust with LA officers/staff*
R - Depletion capacity of LAs in providing basic facilities (Lack of resources, staff, funds, management skills etc.)	Low	Medium	Medium	Funds generated through the supply of water is primarily utilised for same activity Additional resources need to be planned for next three years by the Ministry Training and development of second tier level of officers for O&M
R – Unavailability of additional funding for improvement and unexpected / sudden repairs and maintenance	Low	Low	Medium	Additional resources need to be planned for next three years by the Ministry
Process Output				

Result Level / Result	Rating	Probability	Effect	Mitigation Strategy
Safe Drinking Water Available at the "Last Mile Point" to be Accessed by the Users				
A – Works department completes the construction on time, as per quality standards				*Special assurance obtained from the Works Department*
R – Contaminants introduced into the source water and cannot be removed / purification not possible	High	Low	Medium	Restricted access and activities in the catchment area High risk industrial activities are prohibited in the catchment area.
R - Adequate water is not available at the source for drawdown by the system	High	Low	Medium	Measures to improve the protection of the catchment area established and enforced. (E.g. Logging prohibited, planting of trees in low density areas, measures for the protection of soil erosion, measures to protect from wild-fire)
R – Deterioration of quality of ground water	Medium	Low	Medium	Measures to maintain quality of ground water is established
Developed and Delivered the Community Education Programme on Hygiene and Sanitation Practices				
A – Programme staff able to travel and stay in the villages during the education campaign				*Check and confirm with the field officials before finalizing training plans.* *Finalise logistics ahead of training programmes.*
R - Shortage of staff to conduct education activities within the Programme	Medium	Medium	High	Use trainers from the local area Use public officers to conduct the education programmes (e.g. Public Health Workers)
R - Selected trainers unable to carry out activities due to workloads or other restrictions	Medium	Low	Medium	Regular monitoring system of staff training activities is developed and implemented
R - All material and delivery mechanisms are unacceptable to and not understandable by the villagers	Low	Low	Low	Use proper material and media channels and sympathetic stakeholders to conduct the awareness programmes Develop training areas and processes relevant to & in consultation with LAs and Health workers in the area Ensure time and resources are dedicated to promoting good communication, exchange of ideas and relationship-building Seek support of regional network
Completed Training (Knowledge and Skills) of LA about WS O&M, PM and provided the ICT infrastructure (hardware and software)				
A - There are adequate and capable staff to complete the training and skill development programme				Special Assurance is obtained from the LA; regular reviews by Coordination Committee
R – Lack of continuity of employment of trained staff, leading to unsustainable O&M	Medium	Medium	High	Young staff with appropriate attitude selected to undergo training Second tier staff engaged soon after first round of training / implementation
R – Training material and delivery mechanisms are unacceptable to LA officers/ staff Training content is not understood by LA officers/ staff	Low	Low	Medium	Use of proper material and training mechanisms including on-the-job training while installing and testing the system Periodic evaluation of skill development by individual staff conducted and, when necessary, appropriate measures taken

A = Assumptions R = Risks

Appendix 3

An illustrative example of Monitoring Plan
A case on one of outcomes of HIV/AIDS Control Programme

No.	Sub-Programme	Outcome and Output	Indicator/s	Measure/ Unit	Actual in year X	Target of year X+1	Data source	Means of Verification	Data frequency	Responsibilities
2.	**Preventive health**									
2.1	Programme: HIV/AIDS Control Programme	Outcome 1: Reduction in prevalence of HIV AIDS cases	Prevalence of HIV Cases	% of population	0.2	0.2	DoH records on HIV AIDS	Top Mgt Acceptance/ DoH records on HIV AIDS	Annual (A)	MIS Officer & Programmeme Manager
		Output 1: Improved understanding of HIV/AIDS among the general public	Extent of awareness among the general public (Adults)	%	90	100	Awareness campaign completion reports	Top Mgt Acceptance/ Awareness campaign data sheets & reports	Bi- annual (BA)	Programmeme Manager & MIS Officer
			Extent of adults who have right knowledge on HIV &its prevention	%	60	65	- do -	- do -	- do -	Programmeme Manager & MIS Officer
		Output 2: Monitoring and mitigation capacity is strengthened	The proportion of IDUs, prostitutes, homosexuality, have access to HIV prevention programmeme, syringes, condoms	%	80	85	Annual statistics	Top Mgt. approval/ Hospital records	Annual (A)	Programmeme Manager & MIS Officer
			The proportion of IDU tested for HIV	%	80	85	Annual statistics	Top Mgt. approval/ Hospital records	Annual (A)	Programmeme Manager & MIS Officer
			The rate of HIV infection is detected and reported	%	90	95	Annual statistics	Top Mgt. approval/ Hospital records	Annual (A)	Programmeme Manager & MIS Officer
			The rate of HIV infections have health care & monitored	%	90	95	Annual statistics	Top Mgt. approval/ Hospital records	Annual (A)	Programmeme Manager & MIS Officer
			Rate of pregnant women & high-risk persons tested for HIV	%	90	95	Annual statistics	Top Mgt. approval/ Hospital records	Annual (A)	Programmeme Manager & MIS Officer
		Output 3: Increased access to HIV Aids screening services								

No.	Sub-Programme	Outcome and Output	Indicator/s	Measure/ Unit	Actual in year X	Target of year X+1	Data source	Means of Verification	Data frequency	Responsibilities
		Output 4: Increased access to medication and advisor services								
		Output 5: Increased access to condoms to needy groups (E.g. FSWs, vulnerable communities)								