

SIDA's GUIDE LINES F OR PRO JECT SU PPORT

FROM IDEA TO EVALUATION



**SIDA's GUIDELINES
FOR PROJECT SUPPORT**
FROM IDEA TO EVALUATION

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CONTENTS

1 INTRODUCTION	6
2 PROJECT IDENTIFICATION	8
Criteria 8	
Priorities 8	
Swedish objectives 8	
SIDA's capacity 11	
3 INITIAL PROJECT ASSESSMENT . . .	12
Principal questions 12	
Problem analysis 12	
Target groups 15	
Efficiency 16	
Idea memorandum 17	
4 FEASIBILITY ANALYSIS	18
Goals and targets 18	
Technical feasibility 19	
Project inputs and organization 21	
Investments and financing 23	
Financial and economic feasibility 24	
Plan of operation 28	
5 PROJECT SUPPORT PREPARATION .	30
Project appraisal 30	
Swedish support 30	
Project agreement 31	
Dialogue 32	
6 PROJECT IMPLEMENTATION	34
Cash contribution 34	
Transfer of resources 35	
Project management 37	
7 MONITORING AND EVALUATION	40
Monitoring 40	
Evaluation 42	
8 NON PROJECT AID	44
Sector support 44	
Import support 45	
Other forms of aid 47	

Appendix 1

DEFINITIONS OF SOME OF THE SPECIFIC SIDA TERMS USED	48
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Appendix 2

CHECK-LIST FOR IDEA AND PROJECT SUPPORT PREPARATION	49
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The idea preparation	49
The project support preparation	51
Implementation and monitoring	53
Prolongation and evaluation	54

CASES AND EXAMPLES

ARTIFICIAL INSEMINATION	13
EMPLOYMENT IN BANGLADESH	15
SUPPORT TO TANZANIA AUDIT CORPORATION	12
GOALS OF AN EDUCATION PROJECT	17
A HOSPITAL IN VIETNAM	20
TRAINING ZIMBABWE'S ADMINISTRATION	22
BASIC MEDICINES IN BANGLADESH	25
FOREST INDUSTRY IN MOÇAMBIQUE	27
A PLAN OF OPERATION FOR A PROJECT	28
NON-FORMAL EDUCATION IN INDIA	34
A VOCATIONAL SCHOOL IN MOSHI, TANZANIA	36
HEALTH-CARE IN VIETNAM	38
A WATER PROGRAMME IN BOTSWANA	43
SUPPORT TO ANGOLA'S FISHING INDUSTRY	45
IMPORT SUPPORT TO TANZANIA	45

PREFACE

I am pleased to present SIDA's Guidelines for Project Support — Metodhandboken — in an English translation. This booklet includes basic procedures and policies for preparation, appraisal, follow-up and evaluation of SIDA-supported projects and programmes. These guidelines synthesize more than 20 years experience of development assistance. However, policies and procedures of this kind will of necessity be subject to continuous review in response to changing conditions for development.

It is hoped that these guidelines could serve as an introduction and a useful guide to our colleagues and partners in the development dialogue.



Carl Tham

This booklet is a summary in English of SIDA's guidelines for project support preparation and implementation, "Metodhandboken"¹. Its purpose is to present the basic philosophy and methodology of SIDA's practical development cooperation to recipient countries, consultants and any others interested in Swedish aid.

Even though SIDA can operate in a number of varied and flexible forms, there is one basic project method to which the preparation and implementation of all Swedish assistance relates. The basis of any support is to contribute, in the form of "projects", to the process of change in the recipient countries. Even when the assistance is channelled as humanitarian, emergency or import support, or through non-governmental organizations, the basic project method should apply when analyzing needs, formulating objectives and assessing the efficient use of Swedish support.

The guidelines emphasize the vital importance of the initial phase in a project. This phase should include a proper problem analysis, the formulation of clear goals and targets and an appraisal of the expected efficiency or cost-effectiveness of the project and of the usefulness of Swedish support.

SIDA's project cycle is intimately connected with the recipient country's project preparation cycle. In fact, many projects are the result of a dialogue, the main elements of which are depicted in the figure below.



¹) The original text has been summarized and re-worked by Lars Rylander and translated by Ken Taylor.

The initial project assessment should have, as its starting point, the results of a pre-feasibility study by the recipient country. This, sometimes, then results in the joint formulation of the terms of reference for project design and a more thorough feasibility analysis. SIDA's project support preparation is normally based on an appraisal of this analysis and should also include a comprehensive analysis of the Swedish input, its volume, orientation and terms.

The total course of a project is depicted below.



PROJECT IDENTIFICATION



Projects are seldom identified according to the text-book. They often emerge from discussions about problems in the implementation of existing projects or from their spill-over effects. They may also arise from informal sessions or annual reviews on the future orientation of the cooperation. Or indeed from ideas developed by Swedish popular movements.

CRITERIA

Irrespective of the origin of the idea, once a request has been made SIDA welcomes an informal discussion of the idea before too many administrative resources are allocated for further preparation. SIDA's position in these discussions rests upon three clear-cut criteria. The project must be given priority by the appropriate authorities in the recipient country, the project must fulfil the objectives of Swedish aid and SIDA's financial frames and administrative capacity should not be exceeded.

PRIORITIES

SIDA normally operates through, for example, the external resources department within a planning ministry, or through any similar body which has the overall and final responsibility for making priorities in the use of Swedish funds within the recipient country.

This means that no request, however justified it may seem, will be assessed before fulfilling certain requirements. It should be formally approved in writing by the Planning Ministry or its equivalent.

SWEDISH OBJECTIVES

Swedish aid has four main objectives:

- economic growth
- economic and social equity
- democracy
- economic and political independence.

These objectives are of equal weight and importance. They form a whole, and each individual objective supports the other three in the process of development. They apply both to the selection of recipient countries as well as to the orientation of the assistance within a single country. Not all the objectives have to be taken into consideration in a project or in the cooperation with a country. Rather, by means of an economic and political analysis of the country's situation, SIDA selects the proper mix and the subsequent sector orientation for the assistance to each recipient country. This is done in consultation with the country concerned.

These deliberations, which also include a definition of the target population in the country, are regularly revised during the cooperation with a particular country, guided by the so-called programme cycle.

The programme cycle guides the over-all cooperation with those developing countries that the Swedish Parliament has decided to support with long-term development assistance.

The programme cycle evolves from a discussion in SIDA based on the experience of the orientation of a particular country. It ends up in a clear proposal for the allocation of resources to specific purposes (projects, programmes etc) in the forthcoming cooperation. It should be emphasized that the size of the financial frame for each country is decided by Parliament and based on SIDA's budget proposal.

The programme cycle covers the following steps:

- SIDA's preparatory discussions and review of the cooperation (every fourth year this review is based upon an independent appraisal of the cooperation, the country report);
- discussions with the recipient country;
- the recipient country's request;
- SIDA's proposal to the Government (the cooperation programme);
- the development cooperation agreement, which normally covers a two-year period.

A mid-term review is normally undertaken during the agreement period. As for the question of assessing the idea for a project in accordance with Swedish objectives, SIDA will usually make an informal judgement as to whether the project is in obvious conflict with them or not. Projects aimed at improving or reorganizing the police force, building expensive administrative or commercial centres and highways, and purchasing equipment for the recipient country's diplomatic missions are examples of requests that will usually be turned down immediately.

Sometimes a deeper analysis is required concerning the project's impact on the target population in relation to the Swedish objectives.

Such analyses are usually carried out at a later stage in the process.

Economic growth is a necessary, though not the sole condition for long-term development. As is the case with the other Swedish objectives, growth can be regarded both as an objective and as a vehicle for development. For example, this dual effect can be seen when economic growth improves the standard of living for various strata of the population and at the same time strengthens the political and economic independence and the social and economic prerequisites for democracy.

This also means that if economic growth is only attained at the expense of any of the other three objectives, it can no longer be considered a desirable development objective in Swedish terms.

The growth concept also refers to more abstract resources, such as health, knowledge and nutritional standard. Improvements in these fields are considered beneficial to growth, since deficiencies often affect the conditions for long-term development.

Having social and economic equity as an objective for Swedish aid means, in practice, that the support should contribute to improving the conditions for the rural and urban poor. In countries where it is judged that social and economic inequality is a major problem, SIDA will give priority to projects that aim at remedying the situation.

Many projects and programmes also favour groups that do not belong to the main target group in a particular country. For example, primary health care and primary education projects include all the patients and all the children in the project area. If the social and economic equity objective is to be fulfilled, however, SIDA must try to ensure that the target group is at least equally favoured by the services provided. SIDA may also want to influence certain features of the project in order to ensure that the target group is fully included. Such features could include deciding where the project should be located or choosing the appropriate project technique and organization.

Support for democracy and related processes is mainly encouraged through the choice of channels for the support and by popular participation in project design and implementation. SIDA can promote popular movements that strive for pluralism, democratic freedom and human rights. Popular participation in project preparation and implementation is often a very effective method for ensuring that aid is well utilized in terms of target group achievement and effectiveness. Adequately managed, support by popular participation can contribute to all of the Swedish objectives.

Increased independence does not only refer to the political situation. Swedish aid might also include support to increased independence in commercial, financial, technological and cultural terms. This objective has strongly influenced Swedish support to the SADCC-countries and their struggle to be less economically dependent on South Africa.



SIDA's CAPACITY

Project ideas that fulfil the above criteria completely may still be turned down. A third criterion for Swedish aid is that the project must not exceed SIDA's financial frames and administrative capacity. SIDA operates with annual budget frames for each recipient country that represent the maximum financial commitment. However, unless the proposed project is of considerable size, financial constraints are seldom a reason for turning it down.

Another constraint is SIDA's administrative capacity. Experience demonstrates that good support should involve the donor in a dialogue with the recipient over the project's merits, feasibility and implementation. Since SIDA's capacity is limited, the involvement has to be assessed in relation to the following:

- sector concentration
- the project's size and time-frame
- opportunities for co-financing
- availability of Swedish resources.

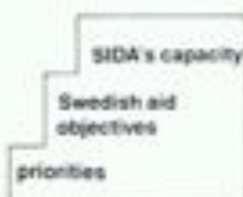
SIDA has decided to concentrate in each country on certain sectors, such as primary health care, primary education, small-scale industry, agriculture and communications. This is mainly because SIDA considers these sectors crucial for development and also because these are fields in which Sweden has considerable professional competence and experience. The number of sectors supported in each country is regularly revised. Thus, a project which fulfils all the pre-requisites might be rejected due to SIDA's sector concentration.

SIDA sometimes only concentrates on one kind of project within a sector. This may be because some particular professional skills are available to SIDA or have been developed. Or the time-frame and size of the project might influence this decision.

Co-financing is sometimes a possible way of supporting projects without consuming scarce administrative capacity. This is primarily the case in co-projects with the World Bank and with the other Nordic aid organizations.

It goes without saying that the more competent and competitive Swedish companies and organizations are, the easier it is for SIDA to support a certain activity with Swedish know-how. On the other hand, SIDA will not and cannot, discriminate against non-Swedish bidders, unless the support is given in the form of tied aid.

To summarize, SIDA welcomes an informal discussion of the proposed project before the formal request is handed over. SIDA's judgement will be based upon the following criteria. →





If the project idea has met the criteria mentioned above, SIDA will initiate the formal project assessment. In a normal case, the recipient country is asked to present the project idea in a pre-feasibility report. In some cases, however, and in particular when the project idea has emerged from a joint identification process, SIDA could initiate the project assessment without prior written information.

The formal starting point is a request from the recipient country to SIDA's Development Cooperation Office.

PRINCIPAL QUESTIONS

Briefly the initial assessment should respond to four vital questions:

1. WHICH problem is the proposed project expected to resolve or alleviate? (Problem analysis)
2. HOW is this problem to be resolved? (Goals analysis)
3. WHO is affected by the problem or will be favoured by its resolution? (Target group analysis)
4. WHAT resources should be allocated for its resolution? (Efficiency analysis)

PROBLEM AND GOALS ANALYSIS

The underlying problem of a proposed project is not always well analysed. It is often taken for granted that the new school-building, the health centre, the fishery project or whatever, will be a significant contribution to the country's development.

But, if the context in which the project appears is not sufficiently understood there is always the risk that the "wrong" problem is tackled. The following example might clarify this thesis, and serve as an elaboration of questions 1 and 2 above.

EXAMPLE

SIDA has received a request to participate in a national artificial insemination project. The basic aim of the project is to cross the local, low-production dairy cattle with high-yield European stock. The request has been discussed and the Development Cooperation Office has decided to initiate the project assessment.

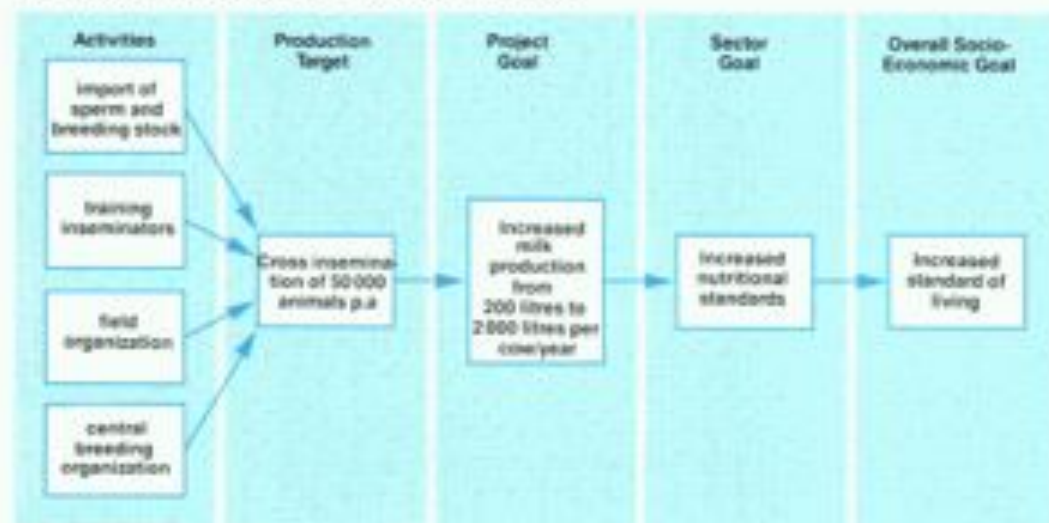
The request put forward the case for the need to improve general nutritional standards as a general prerequisite for increasing the standard of living within the country, not least in the rural areas. The milk production of the local cattle (200—300 litres per annum) is compared to the production of the European cattle (6 000 litres per annum). Through improving the local cattle's yield, milk consumption would be greatly increased with a resulting increase in the general health standards of the population.

The arguments in the request are based on the following analysis of the problem: →

Measures to increase milk production, therefore, seem to be the solution to the problem. A deeper analysis of the situation would show, however, that the low nutritional standard is also due to other factors e.g. poor vegetable protein production or low production of other animal foods besides milk. We shall assume, however, that the authorities prioritize an increase in the production of milk as a basis for improving general nutritional standards. We can therefore, in this example, ignore the other factors in the initial assessment.

According to analyses made, the low milk production is due to the low yields from the local cattle. The authorities explanation of the low yield is based entirely on genetic factors affecting the local cattle. Only by improving the stock through cross-breeding can production be increased.

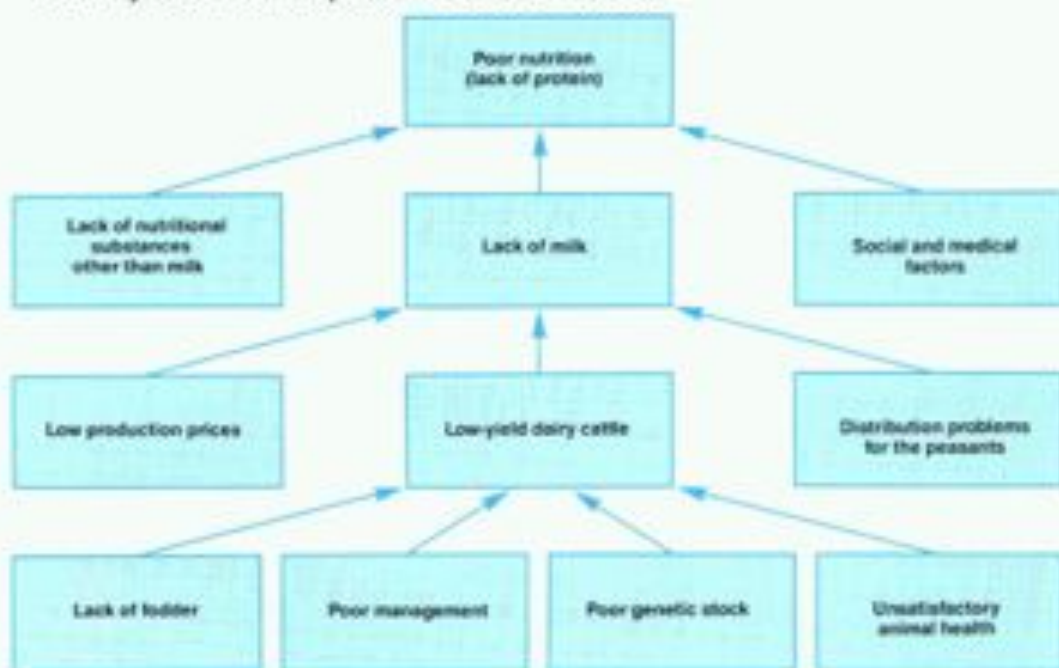
If we accept this analysis in the idea preparation we could identify the following goals and targets for the project:



The assessment of the underlying problem shows, however, that milk production is not merely dependent on the genetic conditions. The volume of production is also dependent on the state of the market with regard to production prices and questions of distribution. Low average milk yields may also be due to low milk prices or inadequate transport systems. Furthermore, there may be other factors which affect production such as lack of fodder, poor management and diseases (e.g. foot and mouth disease).

Even the social and medical aspects are of importance and must be taken into account and analysed. Who will actually consume the increased milk production? Can one specify the nutritional connection between increased milk production and health standards? Will the target group be able to utilize the nutrition provided?

An analysis of the whole problem could look like this:



According to the above analysis of the problem, the project goal is dependent on several factors besides the genetic composition of the stock. If the project is based on the goal and targets shown on page 13, then the risks are great that the goal will not be reached or will only be reached at great cost i.e. through ineffective methods. Often, only the technical side of the problem is studied in the project identification stage, whilst the social and economic factors are ignored. This type of problem analysis is based on technical project goals at too low a level ("more milk" rather than "improved nutritional standards").

It is only after the problem analysis has identified and assessed the most significant and relevant limitations and bottle-necks that correct goals can be set and the project designed in accordance with them.

TARGET GROUP ANALYSIS

When assessing a target group of a project, it is, of course, imperative to ascertain whether the social and economic strata of the population favoured by the project coincide with SIDA's target group in the country.

The target group analysis is relevant even when the project has a wider orientation, such as, for example, support to general public services or to an infra-structural investment project. In these cases SIDA needs to be reassured that the target group will not be affected adversely by the project.

The analysis becomes difficult when investment projects are appraised, since the purpose of the investment is to forego consumption today in exchange for greater consumption tomorrow. One way, at least, of approaching this difficult problem, is to try to assess which groups will be the ones to suffer from reduced consumption today and which groups will benefit from increased resources tomorrow. The analysis thus becomes socio-political as much as technical and economic.

TARGET GROUP PROBLEMS — EMPLOYMENT QUESTIONS IN BANGLADESH

It is not unusual for a project to have several subgoals and to be aimed at different levels and groups within the community. The Intensive Rural Works Programme (IRWP) in Bangladesh has two main aims. Firstly the programme is intended to stimulate employment in the rural areas, both in the short term and in the long term, and especially during the agricultural low season. This part of the programme is aimed at supporting the poor, wage-earning labourers. Secondly the programme should mainly help increase agricultural production through improvements to the infrastructure. Here the programme supports the land owners.



4 FEASIBILITY ANALYSIS



The donor and the recipient country cooperate closely during the project support preparation stage. SIDA's initial assessment is often used as a basis for proposing the terms of reference for the feasibility study, whilst, at other times, the recipient country might well decide to carry out the feasibility study in a different way, without prior consultation with SIDA.

SIDA must, however, make a detailed appraisal of the targets, their technical feasibility, the inputs and organization required, the investment and financing needs, the financial and economic feasibility of the project and the plan of operation.

GOALS AND TARGETS

The description of the project's goals and targets should be based on an analysis of the problem to be solved. Defining the goal is to describe the situation that should prevail on the completion of the project.

In other words, the definition of the goal of the project is, per se, a definition of the changes desired. And, moreover, it must be possible to measure whether the goal has been met. This calls for the translation of the goal into indicators i.e. facts and figures.

Such indicators can normally be selected very easily for production targets, as these are usually clearly expressed in physical terms (e.g. tons, numbers, dollars, kilometres etc). But the overall project goal and other, more abstract goals often contain qualitative aspects which are not easy to express in such concrete terms. Despite the difficulties, it is important that the goals be specified and quantified as clearly as possible.

EXAMPLE

The goals of an education project could be formulated as follows:

- *To improve primary school education by training 2 500 primary school teachers over a 10 year period and by raising the primary school attendance figures for the target group (i.e. primary school children). This main goal should be achieved by:*

- *Building extensions to the already existing teachers' training college in the capital.*
- *Building a new teachers' training college in the regional capital during the first two years of the project.*
- *Developing a new curriculum to be used from the third year of the project.*
- *Raising the intake of teacher trainees from 100 to 250 as from the third year of the project.*
- *Creating a system in each district to subsidize school uniforms, meals and school books. This should start from the first year of the project with a pilot scheme in one district. The experience from this should guide the introduction and development of the system within the other districts.*

The first stage of the project — the building work and curriculum development — should be completed by, at the latest, the end of the second year. The total costs should not exceed 38 million Swedish crowns.

The social strata influenced by the project both positively and negatively, should also be identified, either in socio-economic terms (class structure, access to land, jobs, public services etc) or in demographical terms (age, sex, ethnic group etc).

In many cases it is necessary to make an analysis for both sexes, since the distribution of labour and resources within the family differs in different societies. Women often belong to the under-privileged groups in developing countries. They usually have a heavier workload than men, and their individual freedom is restricted. Women, in general, are more poorly educated and are also forced to play a subordinate role politically. An analysis by sexes is particularly necessary in projects where the equity objective is considered important. All factors that affect women's economic, political and cultural situation should then be assessed. The distribution of work between the sexes, women's disposition of material resources and women's opportunities to exercise their influence in society are examples of areas which could and should be included in this assessment.

TECHNICAL FEASIBILITY

Most projects include the development of transfer of technical know-how or of management, organizational and public administration skills. In order to be effective, this know-how must always be adapted to the environment in which it is supposed to serve.

Generally this means that readily available know-how in Sweden

will usually not be very effective in a developing country. One major reason for this is that the relative prices for labour and capital differ substantially, which, in turn, means that capital-intensive techniques are seldom the most suitable project techniques. It could be added that the local market for sub-suppliers and maintenance cannot always cope with capital-intensive investments.

The technical feasibility of the project thus requires more than a transfer of ready-made know-how and technology. This also applies to administrative and organizational systems and routines. In the preparation of each project the question of adapting the technology and know-how must be thoroughly analysed to ensure that the project will be carried out using suitable methods.

A HOSPITAL IN VIETNAM — VENTILATION PROBLEMS

The children's hospital in Hanoi, built with Swedish support, is an eight-storey building. During the planning and design phase in Sweden, careful calculations and specifications were made to ensure the installation of an efficient ventilation system.

As the construction work neared completion, however, it became clear that there were obvious deficiencies in the system as designed. It had been thought that the long, narrow building would be ventilated length-ways through the corridors. But no real provision had been made to open up this cross-draft. Moreover, the installation of windows in the end walls was not seen as the answer to this problem due to the risk of breakage. Besides this, all the operating theatres were placed, as they are in Sweden, in the centre of the building without windows and completely reliant on electricity for both light and ventilation. Power cuts are frequent.

In Vietnam and other tropical countries there exists a tradition of building houses using the natural ventilation provided by open corridors, ventilation holes over doors and windows, overhanging eaves etc. The main reason why the ventilation system in the children's hospital in Hanoi was not suited to the prevailing conditions was that the planning and design had taken



place in Sweden. Only the architects and some of the engineers responsible had visited Vietnam. Often the detailed design was made by people who had no first-hand knowledge of the country.

It is extremely important to take the time to discuss technical solutions in depth with the recipient country. Normally it is not advisable

to work out a proposal in Sweden and then submit it for comments to representatives of the recipient country. Rather, the proposal should be worked out in-country after careful discussions, without pre-conceptions, and after the collection of the relevant facts and of previous experience.



PROJECT INPUTS AND ORGANIZATION

Technical inputs, organization and staffing are decisive factors in ensuring the project's effectiveness.

The choice of the technical inputs to be made and the equipment to be used will normally depend on the technical level and technical solutions chosen for the project. The feasibility study should specify the technical standards and production levels required.

The technical assistance element in the project should likewise be specified during the feasibility study. This technical assistance, or personnel assistance, as it is sometimes known, is a strategic resource in planning and implementing aid. When used properly, technical assistance can be a decisive factor for the outcome of a project. But there are also some complex, negative aspects when different cultural value systems meet and come into conflict with one another.

SIDA can propose various forms of technical assistance. The local assignment of expatriate personnel is a reasonable solution when the technical assistance is required by public organizations to supplement or even supply regular staff. In such cases, SIDA's role is normally reduced to paying a salary supplement and social security costs, whilst the local authority is responsible for recruitment and overall administration.

SIDA contributes to the personnel costs for volunteers, who are engaged in project activities through non-governmental organizations. SIDA can also engage personnel on contracts in SIDA supported projects either on a long-term basis (normally 24-months) or for shorter assignments. An increasing number of Swedish expatriate personnel are engaged via consultant companies, where SIDA con-

tracts the company for a specific task that often involves project management and the transfer of know-how.

Whilst contract personnel are normally engaged in staff positions, consultants are hired exclusively for project identification, feasibility analyses, planning and design.

TRAINING ZIMBABWE'S ADMINISTRATION

At independence Zimbabwe took over a public sector which was mainly manned by white civil servants, at least in the managerial positions. A great many of these left the country shortly afterwards. Their administrative tasks were often taken over by trained but inexperienced personnel. At the same time the public sector was quickly expanded to include those areas which had been neglected by the previous government's development policy. In order to deal with this situation, Zimbabwe decided to invest in large-scale administrative training programmes for both civil servants and local government officials.



SIDA was asked to participate in building up this programme. Even though there were no detailed plans as to how this training should be organized, SIDA agreed to take part. Swedish expertise was placed at Zimbabwe's disposal in order to develop training plans, produce educational materials and to advise on organization and methods. SIDA engaged the services of SIPU (the Swedish National Institute for Civil Service Training and Development). During 1983 SIPU organized and took part in several short-term inputs, either acting as a catalyst or in an advisory capacity. The support started with a study visit to Sweden of those Zimbabwean officials responsible for training within the administration. The Swedish Association of Local Authorities has been engaged to work at local government level and began by organizing several short inputs during 1984.

The shaping of the project organization depends greatly upon the recipient organization's ability to absorb the external support.

Sometimes this capacity is reduced because of inefficient administrative procedures and routines or lack of management person-

nel. The feasibility analysis should indicate whether such bottle-necks might occur. An inefficient administration is not just a problem for the project but also for the country as a whole. Often there is an acute awareness of the situation and a general interest in dealing with it. In such a case SIDA could be helpful, through projects aimed at supporting organization and management in public administration.

If the country lacks management personnel, precautions should be taken in the project organization to improve the capacity for project management and back-stopping. This can be done, for instance, by engaging a consultant. (For further discussion, see Chapter 6. "Project implementation", page 34).

When analyzing the country's capacity to absorb development assistance, the following points should be considered:

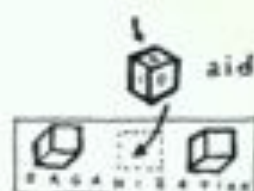
- the local staff's experience and competence for project work and project management;
- the procedures and routines for transfer of resources from donor to project (the interplay between the donor, the planning ministry, the sector ministry, the relevant regional or local authorities and the project itself). Potential bottle-necks should be identified;
- the procedures for the purchase of goods and services and the competence to carry out such purchases;
- the relationship between the project and the responsible ministry i.e. the financial and administrative independence of the project;
- the need to provide support to the project management itself.

INVESTMENTS AND FINANCING

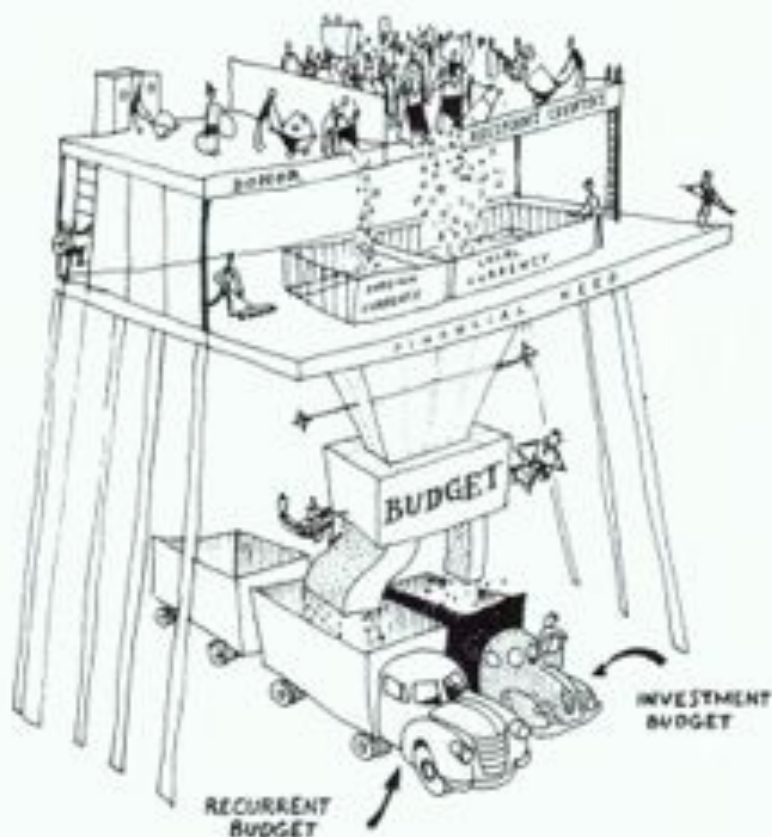
Total project costs should be compiled and divided into investment and recurrent costs, and foreign and local costs respectively. The costs should also be calculated annually throughout the project period. The table below could serve as a model for a project budget.

PROJECT COSTS (million SEK)

	Year 1	Year 2	Total
Investments			
foreign costs	12	8	20
local costs	3	2	5
Recurrent costs			
foreign costs	0,5	3	3,5
local costs	1	8,5	9,5
Total/Total foreign costs	12,5	11	23,5



According to SIDA's policy, the Swedish contribution is not just reserved for foreign costs or investments. SIDA's contribution may cover expenses in local currency or operating costs. SIDA's support to any of these will, however, be based on the assumption that the local contribution will gradually increase.



The budgeted project cost should also be matched by a plan for project financing. The more complex the project, and the more donors involved, the more important it is to specify in detail each donor's contribution (foreign/local costs; investment/recurrent costs).

FINANCIAL AND ECONOMIC FEASIBILITY

When the budget has been agreed upon, it is important to assess whether the project is economically feasible, i.e. that the relation between costs and benefits is reasonable.

In projects that do not generate income or where the goal cannot be expressed in monetary terms, SIDA will accept that the project's feasibility should be measured by its cost-effectiveness. This means that certain vital average costs are calculated, e.g. cost per square metre of construction, cost per school year or per graduated student,

cost per teaching aid produced, cost per participant in literacy classes, cost per vaccination, per laboratory test and per health-centre etc.

The purpose of making these estimates for the cost-effectiveness analysis is not to establish the figures as such, but to compare them with corresponding figures in similar projects in other regions or in other countries. If the projected cost-effectiveness is substantially lower than that of corresponding projects, the reasons for it should, if possible, be identified and discussed. In general, projects that deviate considerably from normal cost-effectiveness will not be acceptable, regardless of their justification from other points of view.



BASIC MEDICINES IN BANGLADESH

SIDA presently supports a project aimed at increasing access to safe medicines in Comilla District, Bangladesh. The goal of this project is a qualitative one i.e. the improvement of the standard of health of the local population. It is, however, extremely difficult



to measure the effectiveness of this type of project by, for example, trying to relate costs saved to the decrease in cases of illness. The connection between better health standards and the availability of safe medicines is often a matter of conjecture. One can, however, try to estimate the cost-effectiveness of the project by identifying the main areas of activity within the project and by comparing costs with expected results.

The cost-effectiveness of the project in question could be calculated as follows:

- The number of persons requiring training, the places available, the costs per person.
- The number of information campaigns needed, the costs per campaign and per individual estimated to be reached by it.
- The costs of producing basic medicines within the project as compared to current market prices.
- The expected increase in coverage of the demand for medicines in the area, as compared to the present situation and the cost for this increase.

The project's cost-effectiveness can be evaluated by comparing project costs with the equivalent costs in similar projects both within Bangladesh or elsewhere. If this comparison shows that the project is less cost effective than other comparable projects, the reasons should be defined and stated.

The efficiency of industrial and infra-structural projects should be calculated in a financial and economic projection according to common international standards, such as those described in the UNIDO "Manual for the Preparation of Industrial Feasibility Studies". In the transformation from the financial analysis to the economic analysis, it is imperative to adjust the prices for goods and services when the market prices deviate from their social values. This is done by the use of shadow prices that reflect the resources' social opportunity cost i.e.



realistic estimates of the true value of such goods and services. This is particularly important with regard to labour and foreign exchange. The economic analysis must also include various side-effects of the project and exclude financial transfers such as customs, taxes or charges.

SIDA has no minimum acceptable levels for the financial or economic internal rate of return. The appraisal of the project's feasibility is made from case to case.



It is recommended that both the financial and economic analyses should include an analysis of the project's sensitivity to changes in sales price, exchange rate and capacity utilization.

FOREST INDUSTRY IN MOCAMBIQUE — A COST-BENEFIT ANALYSIS

A cost-benefit and profitability analysis was made prior to starting the Manica Forest Industries project in Mocambique. The project aimed at producing both sawn timber and chip-board.

As a first step the effects of the project were identified. The goals were clear — to produce sawn timber and chipboard. However, it was also expected that the project would stimulate the development of the region, lead to improvements in the infrastructure of the neighbouring forest area, save foreign exchange by replacing imports and stabilize the local labour market. To achieve these benefits the community would need to utilize the labour force and the capital and



support goods not only directly in the production of timber and board, but also indirectly in the necessary complementary investments in the infrastructure of the area. It also was thought that the project would have limited negative effects on the environment.

Not all the benefits were quantified. The yearly production was estimated at 26 000 cubic metres of sawn timber and 20 000 cubic metres of chip-board, using as basic data partly the planned production capacity and partly the estimated demand. The following costs were quantified: labour, capital investment, other running costs. The other effects identified were described qualitatively.

The value of all the quantified effects was estimated. The current value of costs and benefits were calculated and a social cost-benefit analysis using shadow prices was also made. For example, foreign currency was calculated at a higher rate of exchange than the official one.

When the outcome was compared to the resource consumption, it could be seen that the project was beneficial. The result of both the cost-benefit analyses and the project feasibility study at current market prices showed that the project was reasonably efficient. This was also the case when the qualitative effects of the project were assessed.

PLAN OF OPERATION

All detailed information regarding the implementation of the project should be compiled into a plan of operation. A draft plan of operation should be enclosed with the feasibility study.

EXAMPLE

A PLAN OF OPERATION FOR A PROJECT

The plan of operation states the goal of the project, the most important activities, the budget, the organization and the division of responsibilities, and the system for implementation and monitoring. It should also clearly describe who is to do what.

The plan of operation should not include reasons, motives or general statements of intent.

It could be divided into the following sections:

- | | |
|---|---|
| 1. Introduction | <i>Short background.
References to feasibility studies and project appraisal reports etc.</i> |
| 2. Goals | <i>The project's goal and targets</i> |
| 3. Production targets and activities | <i>Description of the production targets and main areas of activity. Possibly dividing main activities into sub-areas.
General time-plan for the implementation of the project.</i> |
| 4. Budget | <i>The project budget broken down into activities, cost classification and year.
Sources of finance i.e. income or contributions from the recipient country or from the donor.</i> |
| 5. Monitoring | <i>Description of routines for planning, implementation and monitoring. Routines for reporting. Special evaluation systems.</i> |

6. Organization and administration

Short description of the project's organization and staffing and its position within the recipient country's administration. Areas of responsibility. Possible posts for expatriate development assistance personnel.

7. Time-schedule

Description of time-plan for all essential activities to see when different resources have to be made available in order to meet established targets. In expensive projects, where delay implies huge additional costs, a critical path analysis should also be made.





The final stage in SIDA's preparations is the project support preparation. All relevant information regarding the project is compiled into a brief support memorandum and presented to SIDA's management for final decision.

The recommendations in the support memorandum are partly based on an appraisal of the project's merits as described in the feasibility study, and partly on an appraisal of the effectiveness of SIDA support to the project.

PROJECT APPRAISAL

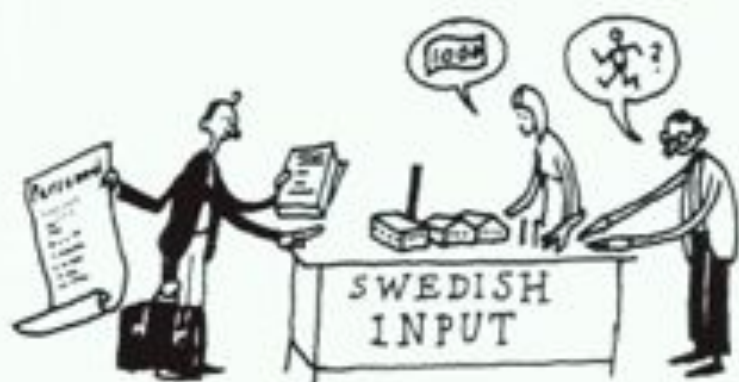
SIDA sometimes uses external expertise to appraise the entire feasibility study or parts of it. It is always useful to have unbiased opinions especially on the projects's technical and economic feasibility, and risks for failure. These "second opinions" form part of the basis for SIDA's decision-making.

In certain cases, it is advisable to appraise the feasibility study through a joint review by the recipient country and SIDA. This mainly occurs when the project preparation has been carried out in close co-operation between the two parties.

SWEDISH SUPPORT

SIDA can support the project in the form of cash contributions, services (personnel) and goods. The first assessment of the combination of Swedish resources to be used in the project and their availability and effectiveness, has already been made during the idea preparation. At this stage, the task is to specify in detail the kind and volume of resources requested and the timing of their participation in the project.

The recruitment and training of expatriate staff must be planned



for and, preferably, initiated, as this procedure is often very time-consuming. Specifications and bidding procedures need to be prepared for any goods required.

PROJECT AGREEMENT

A draft project agreement is enclosed with the project support memorandum although it has usually been handed over to the recipient country informally as soon as it has been worked out. The project agreement is subordinate to the development co-operation agreement which sets the terms of the co-operation and specifies the overall financial contributions by the parties concerned.

All the provisions regarding the project support and the recipient country's responsibilities are regulated by the project agreement.

The project agreement normally covers the following items:

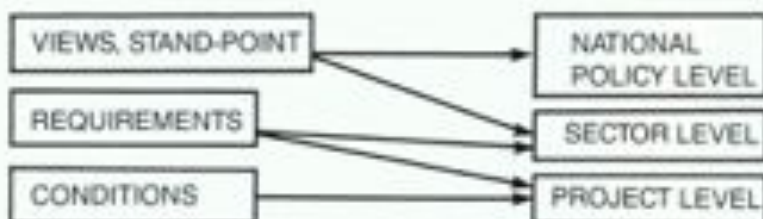
- Parties involved
- Background
- Goal(s) and target group(s)
- Amounts contributed
- Contractual period
- Whether the financing comes from within SIDA's budget frame for the country
- Allocations per budget year or dates when such allocations are to be decided
- Routines for payments if these do not already exist or differ from those described in the country agreement

- Utilization of contributions: programme/project, production goals, activities, type and possible allocation of resources
- Plan of operation with budget (usually only referred to or/and attached)
- Reporting systems: financial accounting and reporting together with proposals for annual working plans and budgets
- Monitoring
- Evaluation
- The parties' undertakings: e.g. who purchases, who pays. Whether local labour is to be provided
- Special conditions: e.g. if some of the financing is to be completed before Swedish funds are to be made available. What accommodation etc. is to be provided before expatriate personnel are sent out. Are counterparts needed?
- Reference to country agreements
- Dates showing when the agreement comes into force and when it terminates.

DIALOGUE

The dialogue between SIDA and the recipient is not limited simply to the identification of the project. There should be a continuous exchange of experience throughout the total project cycle.

SIDA's opinions might well range from cautiously expressed general view-points and comments to highly specified conditions for Swedish support to a project. The strength of the opinions expressed is often dependent upon the level at which it is proposed to solve the identified problem. In a very schematic manner, the following diagram describes the relationship between Swedish official opinion and the nature of the problem.





The main part of the dialogue takes place in the recipient country during the follow-up of a project although representatives from SIDA's head-quarters and from the Swedish Government may sometimes participate.

PROJECT IMPLEMENTATION



The implementation of the project is heavily dependent upon the project organization. No matter how good the preparation is, the best of projects can fail if the project organization suffers from slight but significant deficiencies.

SIDA's participation in the implementation stage, then, is based on an analysis of the project organization. There are three categories and degrees of involvement for this participation — cash contribution, resource transfer and project management.

CASH CONTRIBUTION

This model is applicable when the project organization is capable both of acquiring project resources (goods and services) and of managing the project with competent staff. Under these circumstances the support can be reduced to a cash contribution, to serve as a financial basis for the expenses of the project.

As indicated, this model pre-supposes a situation where financial backing is the only scarce resource in the project. Since this is not usually the case, the model has limited uses.

CASH CONTRIBUTION — NON-FORMAL EDUCATION IN INDIA

Since 1980 SIDA has supported non-formal education for 9–15 year-olds in India. Originally the Swedish contribution was intended to cover the purchase of paper for the printing of books and other educational materials. From 1984 onwards SIDA also finances the running costs for the education of 10 000 girls.

The project support preparation was carried out by SIDA in cooperation with a UNESCO consultant. The implementation has been entirely in the hands of Indian authorities. The purchasing of the paper has been carried out by the Indian State Trading Corporation. The distribution of paper, the printing of teaching materials and the implementation of the programme has been the responsibility of the central government in cooperation with those Indian states concerned, in accordance with the Indian regulations governing the division of responsibility at national and state levels. SIDA's role has been to monitor the project to check that the implementation follows the procedures laid down in the project agreement.

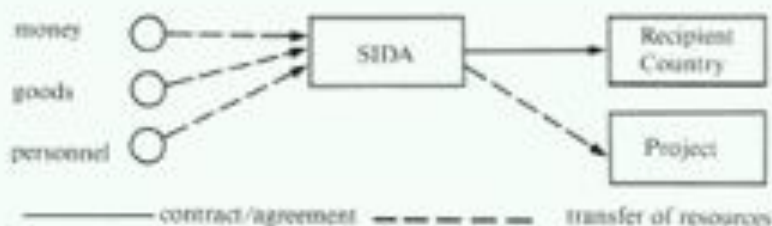


The support will almost certainly continue, with the emphasis on the education of girls in the rural areas. SIDA's monitoring role will probably be strengthened. Experience has shown that there is a need for more frequent project follow-ups, and that the contracting of a consultant to carry out these follow-ups is a cheap way of making them more effective. The main responsibility for the programme, however, will still lie with the Indian authorities.

TRANSFER OF RESOURCES

In this model, SIDA's participation and responsibility is extended to also cover the identification, specification, acquisition and transfer of certain services and/or goods to the project. The management of the project remains, however, the responsibility of the recipient country.

This model appears in two alternatives. In the first one, SIDA itself acquires and transfers the requested resources (see next side).



In the second alternative SIDA contracts a consultant (company or institution) to acquire and transfer resources to the project (see figure below).



When cash is transferred to the project, SIDA supplies it directly and not through intermediaries.

It is also possible to combine the two alternatives in different ways, e.g. SIDA purchases the goods whilst the consultant engages personnel.

TRANSFER OF RESOURCES — A VOCATIONAL SCHOOL IN MOSHI, TANZANIA

A request for Swedish support for the construction of a vocational school in Moshi was first made in the autumn of 1976. Tanzania was prepared to take the responsibility for implementing the project whilst SIDA should provide the necessary resources in the form of money, goods and personnel.

The Tanzanian authorities should prepare a technical and economic feasibility report and be responsible for coordinating the planning and design of the school, the tendering procedure, the evaluation of the tenders and the supervision of the construction work. Furthermore, Tanzania would ensure that a suitable syllabus was available and that relevant equipment lists were prepared. The recruitment and training of Tanzanian teachers for the school and the selection of students were also the responsibility of the Tanzanian authorities.

On the Swedish side, SIDA agreed to check the Tanzanian feasibility report and then cooperate in working out a joint plan of operation. SIDA also agreed to finance the construction work, to provide expert staff to develop certain areas of the syllabus, to purchase the equipment and teaching aids required and to recruit a building supervisor, 14 heads of department and an experienced school administrator.



As the project got underway, the demands on SIDA increased. Certain of the activities which were planned to be carried out without Swedish assistance had to be done with the help of Swedish consultants e.g. the electrical installations in the workshop and the production of teaching materials for technical drawing. Demands were also made for SIDA to take an active role in the direct management of the project.

As the demands increased so did the uncertainty. No-one was sure any longer where the responsibility lay. Was it with the school leadership under a chief advisor? Or with the Ministry of Labour's Director of Vocational Training? Or with SIDA's administrators in the local Development Cooperation Office and in Stockholm?

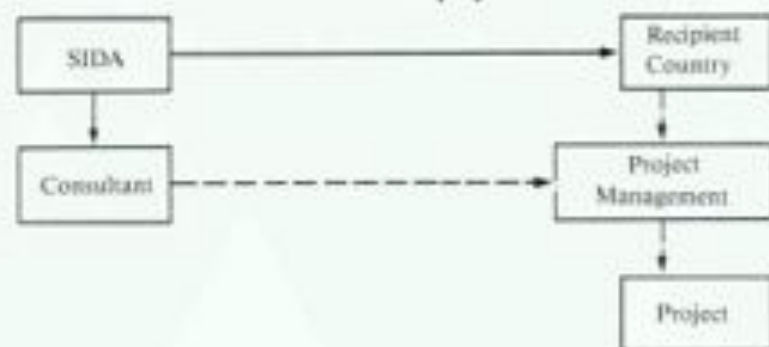
One important experience gained from this project was that it is vital to clearly specify right at the start, the areas of responsibility for the project and the regulations governing the transfer of resources.

The first group of students graduated from the school in 1984. The quality of the training they had received was generally considered to be very high. Swedish support to the project is still needed at this stage, in order to provide expertise, in-service training and to cover the costs for importing material and equipment which have to be paid for in foreign currency.



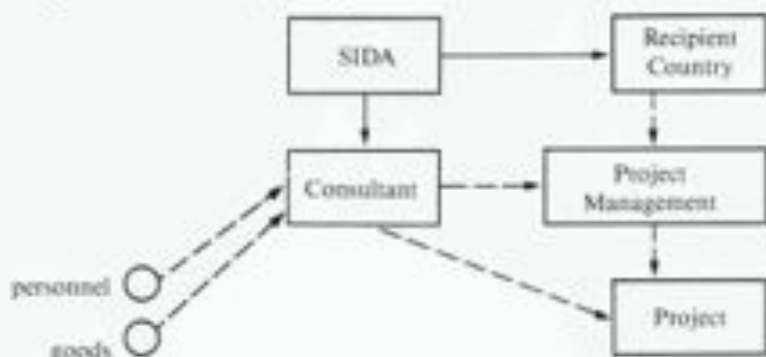
PROJECT MANAGEMENT

In the third model, the analysis has led to the conclusion that the project organization needs to be reinforced with staff who can manage and co-ordinate the project's activities. This model is usually applicable to investment projects, such as the construction and operation of industrial and infra-structural projects.



When a consultant is engaged as project manager, SIDA tries to ensure that the consultant is given executive responsibility for the project. The more incentives connected with the assignment, the more efficiently the consultant will carry out the job. It is also vitally important that the project manager trains the local staff properly, including domestic consultants when this is relevant, so that the transfer of executive responsibility takes place smoothly and local consultant capacity grows.

Normally, the project management consultant is responsible for the transfer of other inputs as well, but strict project management assignments do occur (see figure below).



PROJECT MANAGEMENT — SUPPORTING HEALTH-CARE IN VIETNAM

The sector agreement between Vietnam and Sweden states that Vietnam has overall responsibility for the two countries' cooperation in the health sector whilst SIDA should engage a consultant to manage the projects. For this task SIDA selected the International Child Health Unit at Uppsala University — ICH.

The contract between SIDA and Uppsala University regulates the number and type of staff ICH require to carry out this project management task:



1. ICH should strengthen its administrative capacity in Uppsala with three full-time and two half-time staff, including a full-time project coordinator.

2. ICH should station three other staff members in Vietnam, including a programme coordinator.

The programme coordinator should be given the authority to represent ICH in all questions relating to the implementation of the project in accordance with the terms of reference.

3. SIDA should approve of all staff placed at the project's disposal and should be given the opportunity of taking part in their recruitment. Staff should not be changed without SIDA's approval.

ICH did not have the administrative capacity for recruiting expatriate staff for the project or for running and maintaining living quarters in the form of a camp. Thus, a sub-consultant was employed by ICH for these purposes after SIDA's approval for this arrangement was obtained.

A special steering committee was set up within Vietnam's Ministry of Health, led by the Vice-Minister and with those directly responsible for the health-care projects as its members. The Swedish programme coordinator advises and assists the project management in reporting to this steering committee. SIDA has the right to attend steering committee meetings.

The project management reports to SIDA and to the steering committee every quarter. The steering committee compiles an annual report for the Ministry of Health and SIDA, in which activities carried out are reported and a plan for the coming year is specified.

Experience from the first year showed that the division of responsibility between the two Swedish consultants, viz ICH and the sub-consultant, was too vague. SIDA, therefore, terminated the contract and renegotiated a new one in which the consultants' roles were more clearly stated and the project organization improved.



Successful project and support preparation are pre-requisites for an efficient project implementation. But unexpected events often occur and lead to changes in the project environment. In order to cope with these external influences, it is necessary to have a system for monitoring and evaluation. The system also serves to keep those involved to the "critical path" and to ascertain the outputs and effects of the projects.

MONITORING

SIDA's monitoring should, as far as possible, be based on the existing procedures for reporting and monitoring in the recipient country. It is equally important that SIDA regularly reports to the project organization on the current situation regarding the resources SIDA is responsible for acquiring.

Monitoring is carried out on three different levels. Firstly, the current activities are monitored. This can take place in the form of progress reports in relation to the plan of operation, disbursements in relation to budget or statements regarding recruitment and purchases. The records of meetings of the project steering committee or of meetings between SIDA's programme officer and the project officer at the ministry, and of visits to the project from the Development Cooperation Office are also important.

This level of monitoring is related to the activities, the time-schedule and the production targets in the plan of operation.

The next level in SIDA's monitoring system is the annual review. This is carried out as a follow-up of the production targets and the budget. Such annual reviews are undertaken in most programmes (sector support) and in larger projects. They are based on written reports from the project organization which comment on results achieved and indicate the work programme and budget for the forthcoming year. The result of the annual review is often summarized in a



joint report to SIDA and the ministry involved, proposing measures to be taken and financial allocations needed.

The third level refers to the monitoring of the project goal. When the project is rather limited in time and resources, the project goal is, of course, the point of departure for the recurrent monitoring system. In larger and more complex projects, SIDA's support is normally channelled via three year project agreements that only partially cover the project period. The preparation for a prolongation of the project agreement is, therefore, a convenient occasion to analyze the achievements of the project more carefully. In fact, this kind of review is very similar to a mid-term review and it focusses mainly on the project goal and the factors behind possible deviations. A prolongation is prepared in the same way as the initial project support preparation. Naturally this does not need to be as thorough as the initial preparation, unless the project is experiencing severe problems or going through a period of major reorganization.

Examples of monitoring instruments

GOALS AND TARGETS

MONITORING INSTRUMENTS

ACTIVITIES (EXAMPLES)

Design
Delivery of equipment
Casting foundation of building
Recruitment of expatriate staff

PRODUCTION TARGETS

Complete construction of school
Develop syllabus
Graduation of 250 teacher-trainees

Economic reporting system
Site visits
Quarterly follow-up
Project progress report
Yearly follow-ups
Debriefing of expatriate staff

PROJECT GOAL

Improve primary education

Yearly follow-ups
Support memorandum for prolongation of project

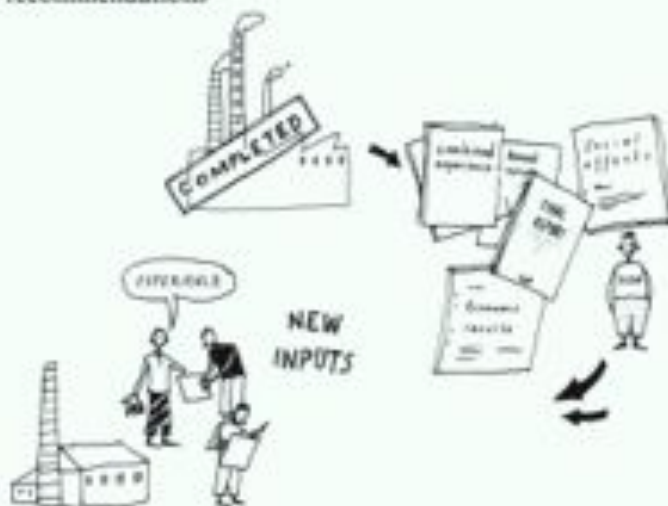
EVALUATION

There is no strict demarcation line between monitoring and evaluation, but rather a continuum where the focal point moves from the production targets at one extreme to the overall objectives at the other. The mid-term review represents a mixture, where both production targets and project goals are of interest.

SIDA's system of evaluation includes the final report from the project and the impact report. The final report is an internal SIDA paper, where the programme officer summarizes the effects of the project. The impact report tries to assess the long-term socio-economic effects of the project.

The evaluation stage should cover the following points:

- an analysis of relevant targets, goals and objectives
- an analysis of factors behind a high or low level of achievement:
 - a) in relation to the original goals
 - b) in relation to the effectiveness of the project implementation (i.e. the project organization)
- an analysis of the cost-benefit
- an analysis of any other external effects of the project
- recommendations



Evaluations are normally carried out by a special group of individuals from SIDA and the recipient country, usually with the assistance of external expertise. Sometimes these evaluations are carried out by external persons only. The mission's findings and recommendations are compiled in a report which is submitted both to SIDA and to the recipient country.

These evaluations serve a two-fold purpose: firstly as concrete recommendations regarding actions to be taken or modifications to be made in relation to the existing plan of operation, and, secondly, as feed-back to decision-makers for future projects or similar support programmes.

EVALUATION OF THE WATER PROGRAMME IN BOTSWANA

In 1983 it was decided to evaluate the water programme in Botswana with a view to a prolongation from 1985. The programme had been in operation for ten years without ever being evaluated. It was generally considered to be an efficient programme which had achieved its goals.



SIDA decided to use and test out a method of evaluating drinking water programmes developed by WHO.

During the autumn of 1983, 10 villages in the programme were chosen at random. A local consultant was engaged to collect data concerning the utilization of both the equipment and the water. This information was collected from those five villages where the equipment functioned best. The purpose of this was to get some idea as to whether production goals had been met and the probability of meeting the main goal of the project. The consultant's report also high-lighted several other questions which should be taken up in the evaluation.

A consultant from WHO and representatives of SIDA then collected further data and analyses of the programme in co-operation with the local consultant and representatives of the Botswanan authorities. The basic documentation for the evaluation consisted of the local consultant's report, the original programme plans, SIDA memos, reports from sector follow-ups and notes from meetings with representatives of the Botswanan authorities.

The evaluation concluded that the programme, in general, functioned well and that, in comparison with other water programmes in Africa, the problems were minor. Furthermore, it could be shown that water utilization had increased, e.g. for hygienic purposes. The time taken to fetch and carry water had also been drastically reduced. The time saved seemed mainly to be used for leisure activities.

The evaluation recommended that future resources should mainly be used for maintenance purposes and for rehabilitating older equipment. This was judged to be the most sensible way to proceed, all factors considered, rather than going ahead with an expansion of the programme.



Project support is not always the best approach in resolving problems of development. A problem in a sector might consist of a number of sub-problems each of which has to be resolved in the correct sequence. Or it may be that the problem is, in fact, on the macro level and that project support is not the best remedy. Instead, SIDA might choose to assist a country in purchasing goods from abroad through import support.

SECTOR SUPPORT

Sector support includes various activities, projects and programmes that are separate but inter-linked with one another. Sector support normally emerges from a project support that has led to insights of a general nature regarding the connection between the various problems and bottle-necks experienced within the sector.

Sector support requires that certain pre-requisites be fulfilled:

1. That the recipient country has elaborated or plans to elaborate a comprehensive sector strategy.
2. That the organization and management system in the sector can handle and co-ordinate sector support.
3. That SIDA has at its disposal or can acquire those inputs (services, goods and money) required in such an extensive involvement as sector support.

SIDA also undertakes a sector analysis. This should provide the basis for a better understanding of the strategic and structural problems in the sector and should identify possible areas needing Swedish support.

The case below demonstrates what can happen when sector support is not given a proper foundation.

SUPPORTING ANGOLA'S FISHING INDUSTRY

Support to Angola's fishing industry is aimed at increasing production through three sub-programmes which deal with the development of small-scale fishing industries, with training and with fishery research.

Originally, the support was to a sector rather than to a project. This meant that it was Angola's responsibility to divide the resources between the three sub-programmes. This gave the flexibility necessary to a programme for which the Angolan authorities had no clearly formed plans when the agreement was made. This form of cooperation also meant an administrative simplification for SIDA. The detailed planning of the support was left to representatives of both parties in the yearly consultations, which resulted in joint agreed minutes.

Experience from this form of cooperation showed that Angola could not, in fact, take advantage of the potential benefits. Lack of personnel and organized resources for receiving the support, the effects of the on-going war with South Africa and of internal unrest, combined with the almost chaotic market situation, led to changes being made to the Swedish support. What was originally thought of as sector support was re-structured into project support with active SIDA participation.

SIDA's commitments, therefore, took on another character. SIDA became responsible for recruiting fishermen with experience of teaching and with Portuguese language skills, which was no easy task. It was made even more difficult when it became apparent that Angola could not provide appropriate accommodation or services for expatriate staff. Thus SIDA was drawn into actively arranging accommodation and into organizing building activities to support the project.

Eventually the original sector support was transformed into a well-defined project support with active control and supervision by SIDA.

Sector support is assessed annually in joint reviews which are based on reports of results achieved in relation to the work plan, and on agreed minutes concerning the forthcoming work plan. The budget is also revised each year.

IMPORT SUPPORT

Import support can be an effective instrument when lack of foreign exchange is the major constraint for the country's development. Two conditions should, however, be met.

Firstly, it has to be demonstrated that the foreign exchange situation is not entirely or mainly a consequence of an inadequate economic policy by the Government. Secondly, the organization and management system must be able to deal with the import support properly in terms of procurement, handling, distribution and utilization.

IMPORT SUPPORT TO TANZANIA

In 1985 Tanzania, like several other African countries, was in the midst of an economic depression. This economic crisis was caused by factors both within and outside the country. A large balance of payments deficit or, in other words, a lack of foreign exchange is the most obvious symptom of this. It has, therefore, only been possible to satisfy a smaller and smaller proportion of Tanzania's import needs. Industrial and agricultural production have decreased because of the scarcity of imported goods, spare-parts, fertilizers etc.

Because of the increasing difficulty in maintaining standards in education, health-care and other social services, and because of under-utilization of the available industrial, agricultural and transport capacity, new development projects have been cancelled or indefinitely postponed. SIDA and some other aid organizations, including the other Nordic organizations, have instead set aside a growing proportion of their assistance for the financing of imports for current production and for activities in the social sectors.

SIDA actively participates in the decisions as to what the import support should be used for. A special crisis programme was adopted by Tanzania in 1982 and since then the Swedish import support has been used to reinforce this programme. It is used entirely to finance current imports. Priority is given to agricultural needs and especially imports to support agricultural export activities. Agriculture needs an efficient transport system both for distributing the country's supply of food and other goods and for the export of agricultural products. SIDA's contribution in this field has included the purchase of components and spare-parts for lorries. Other goods purchased through this import support include spare-parts for the telecommunications network and for the production of electricity.

Parts of the industrial sector also play an important part in the crisis programme. Workshops for the production of hand-tools and ox-ploughs exist. Other consumer goods needed by the peasant farmers could be produced in the same way in Tanzania and provide the state with income through indirect taxation. One pre-requisite for this is that foreign exchange is available for the import of spare-parts and raw materials. SIDA has financed the import of, for example, die steel and raw materials for the production of tools and implements.

The criteria for the utilization of import support are to be found in a special agreement between the two countries. The apportioning of the currency funds available between the different imports and importers is carried out in a committee consisting of representatives from the Central Bank of Tanzania, who deal



with currency regulations, from the Ministry of Finance and from SIDA. When appropriate, representatives of the Ministries of Industry and of Agriculture also participate.

In SIDA's preparation for import support there are several important factors to be taken into consideration and carefully weighed. SIDA must judge which products are needed from the macro-economic point of view and which of these products it would be advantageous to manufacture in Tanzania and which it would be cheaper to import. SIDA also has task of identifying those goods which satisfy the needs of Tanzania's crisis economy and which, at the same time, can be purchased, at competitive prices, from Sweden. Finally it is very important that SIDA coordinates its activities with those of other donors so that the foreign exchange available is used in the best possible way.

It is very difficult to exactly specify the way in which Swedish import support to Tanzania affects the different levels of society. The choice of imports, however, is made with the intention of fully supporting agricultural production which, in Tanzania, is dominated by small peasant farmers. This import support therefore may well be oriented towards a particular target group in accordance with Sweden's development assistance objectives.

SIDA's Procurement Division purchases bulk goods for the import support programme whilst other goods are purchased by Tanzanian companies. An agreement has been made between the Tanzanian National Bank and a Swedish bank to facilitate overseas payments.

OTHER FORMS OF AID

Most of Sweden's bilateral aid is provided in the form of project, sector or import support within a country agreement, as described in this booklet. But Swedish aid resources may also be granted in other forms, such as support to non-governmental organizations, to humanitarian and relief operations, and to inter-regional projects. The basic project method previously outlined is also relevant to most of these other support activities.

**DEFINITIONS OF SOME OF THE SPECIFIC
SIDA TERMS USED**

Country agreement	The development cooperation agreement between Sweden and the recipient country in question.
Country report	An independent appraisal of the cooperation between SIDA and the recipient country, carried out every four years.
Idea memorandum	A study of a project's objectives and possible socio-economic benefits, on which SIDA bases its decision to support the project or not.
Impact report	A study of the changes produced by the project — usually at the development objective level e.g. the impact of the project on the target group.
Project agreement	A legal document which specifies the rights and obligations of all parties involved in the project.
Project support memorandum	A summary of the appraisal of the project feasibility report and an evaluation of the cost and feasibility of SIDA's participation in terms of financial and administrative resources etc.
Project support preparation	SIDA's review of the final project description and a detailed analysis as to how the Swedish support should be shaped.
Sector support	Support of the development of an entire sector or sub-sector such as primary education, rural health or small-scale industry.

CHECK-LIST FOR IDEA AND PROJECT SUPPORT PREPARATION

(Please note that this check-list may be changed from time to time. New check-lists and more detailed instructions can be found in SIDA's Development Cooperation Handbook)

The following questions should be asked prior to starting the preparation:

- Has the project been given priority in the recipient country? What likelihood is there that an official report will be forthcoming? What alternative project proposals are there?
- Does the project generally fall in line with the goals for Swedish development assistance and with the experience from Swedish aid to the country in question (see the country agreement)?
- Do the financial frames for development assistance to the country in question allow for support to the project?
- Does SIDA have the administrative capacity to prepare and carry out the support required by the project in question?
- Is the project idea clearly identified i.e. through pre-studies, so that it is possible to define goals, target groups, resources required and the way in which the project should be organized and carried out?

The aim behind asking these questions before starting the preparation is not to ensure positive answers but to reveal which answers are clearly negative for the project.

THE IDEA PREPARATION

The idea preparation starts when it is decided that information should be gathered in order to write the idea memorandum. This is done if the project has been assessed through the questions listed above and has not been rejected. The idea preparation should not begin unless there has been a proper pre-study or unless the idea for the project has been clearly stated and documented in some other way.

- Have the problems to be solved by the project been properly analyzed?

- Has a goals/means hierarchy been identified?
- Is it possible to predict whether the goals of the project will be met or not? Have those indicators needed to measure this been agreed upon? Are there measurable production goals?
- Is it possible to make an analysis of interested parties?
- Are target groups well defined? Who gains or loses from the project?
- What effects can the project have on the woman's situation? How does it affect employment or threaten existing employment possibilities and incomes? What are the social/cultural consequences? Can measures be taken to create more favourable effects?
- Which other alternatives could lead to the same goals being met at a similar or lower cost?
- What measures (personnel, money, goods) should the project utilize?
- To what extent is expertise available in Sweden?
- What is the country's capacity for receiving development assistance i.e. administration, personnel, purchase, maintenance etc.? How should the project be organized? Does SIDA need to form a special project organization?
- How much will the project cost? How much will SIDA provide? What is the balance between foreign and local currency needed? What are the investment costs compared to the running costs?
- Can the effectiveness of the project be roughly assessed? (Are the costs for meeting the goal of the project reasonable?)
- What will the long-term running and maintenance costs be? Can the country's economy manage these? How do these costs compare with existing projects?
- What is the likelihood that Swedish support will be required for a long period of time? What is a realistic time-frame for the total Swedish input — 5, 10, 20 years, or more?
- What demands will the project make on the country's fuel supply? Are there local alternatives if imported fuel is rationed or if the supply of fuel is interrupted in some other way?
- Are there environmental aspects to be considered?

- Can a reasonable estimate be made of the success of the project?
What are the risks?
- Make a plan for the continued preparation!

The idea preparation stage should result in an idea memorandum. This is presented to the Director General for decision. If this decision is positive it means, in practice, that the project support has been approved. The decision also means that the project support group can be appointed whilst any special instruction or conditions which affect the final decision to continue with the project support after the preparation stage, are stated.

THE PROJECT SUPPORT PREPARATION

- Has the project support group been appointed and summoned?
- Have the terms of reference for the project feasibility study been worked out?
- Have the terms of reference been discussed in the project support group and been approved by the head of the appropriate sector division, by the development cooperation office and by the authorities in the recipient country?
- Have the consultants for the project feasibility study been contracted after tendering procedures? Have measures been taken to prevent any conflicts of interest between the consultants and any other parties involved in the project?
- Is there a plan as to how the feasibility study should be carried out? What are the roles of the sector division, the development co-operation office and the recipient country? Is it clearly stated when and how the consultant should report on and discuss results?
- Have the terms of reference been followed?
- Does the feasibility study contain the following information?
 - goal and project description
 - technical feasibility
 - organizational and administrative feasibility
 - financial feasibility
 - cost-effectiveness or equivalent assessments which prove the economic viability of the project
 - a time schedule up to the date when the project is expected to start operation

- Are the problems and project goals described in the study the same as those stated in the idea memorandum? Are any differences clearly described and justified?
- Has a personnel plan or its equivalent been set up to include the total requirements for the project? Has an assessment been made as to conditions for the utilization of foreign personnel — preparatory training required, living conditions etc?
- Has the need for technical assistance within the country's administration been assessed?
- Have specifications been worked out for construction activities and for the machine park needed? Has this taken into account experience of local conditions such as wear and tear, maintenance possibilities, operator skills, fuel supply etc?
- Does the budget specify local costs and costs outside the country, running costs vis à vis investment costs and any other costs necessary for the study?
- Has the effectiveness been calculated as cost-effectiveness or in some other way?
- Has the project's profitability been calculated (for projects which bring in an income)?
- Have the socio-economic aspects of the project been assessed through a mathematical calculation or by a reasoned analysis?
- Is there a time plan?
- Can the recipient country handle the project during the investment phase in the proper way (including the Swedish support) and run the completed project properly during a reasonable project lifetime?
- Is the Swedish support separated into different categories during the whole project period?
Divide into:
 - personnel of different categories
 - money
 - procurement of machines and other equipment
- Does SIDA have the capacity to coordinate the support? What is lacking?

- Can any other organizations be engaged to carry out those activities for which neither SIDA nor the recipient country have the capacity?
- Are there factors which indicate that the whole of the support should be delegated to another organization (or institution, consultant company etc)? Who then should the contractual parties be — SIDA and the consultant, the recipient country and the consultant, or all three?
- Has a plan been made specifying when those resources for which SIDA is responsible should be made available?
- Has a plan of operation been worked out?
- Has a draft project agreement been drawn up in good time and in consultation with the recipient country and SIDA's lawyers?

The project support preparation should result in a project support memorandum to be used as a basis for SIDA or the Swedish government to decide whether to carry out the support or not. The project agreement is included in the memorandum.

IMPLEMENTATION AND MONITORING

- Which of the three implementation models is most suitable when taking into consideration the capacity of both SIDA and the recipient country to transfer resources and to implement the project?
- Have conditions for contracting out the project been assessed and met?
- Have conditions for ensuring the efficiency of the feasibility study been fulfilled?
- Can the monitoring of the project be coordinated with the recipient country's own regulations for reporting and monitoring?
- Is the need for monitoring specified in the plan of operation and in the project agreement? Have indicators for measuring goal achievement been agreed upon? How shall the monitoring be financed — within or outside the budget for the project?
- Has the planned monitoring been connected to the right level in the stated goal/means hierarchy?
- Are the channels for reporting between the different parties involved clearly defined and regulated?

PROLONGATION AND EVALUATION

- Has a formal request for prolongation been made?
- Has the project been evaluated?
- Are the reasons for prolongation assessed in the idea memorandum or support preparation memorandum?
- Does the prolongation mean a considerable change in the direction or scope of the support? (If so, the prolongation should go through new idea preparation and project support preparation stages).

The following questions should be answered prior to the evaluation of the project's long-term effects:


- Has the need for an evaluation after the completion of the project been discussed with the recipient country? Should this be done jointly? Should this be paid for by the project?
- Has the evaluation been specified in the project agreement or plan of operation?
- Have the terms of reference been worked out and approved by SIDA and the authorities?

NB: Remember that although the idea memorandum and the project support memorandum are similar in nature, the emphasis is different in the two documents. The idea memorandum analyzes the problem to be solved, the goal for the project, its effectiveness, any alternative and the conditions governing the Swedish support. The project support memorandum, however, emphasizes the form the support should take although the arguments presented in the idea memorandum should also be reflected in the project support memorandum as this provides the basis for SIDA's final decision.

PHOTOGRAPHERS

Gustaf Eneroth	8, 46
Paul Rimmerfors	12, 40
Anders Suneson	15
Heldur J Netocny	5, 16, 18
Bo Lundberg	17
Thorstein Nilsson	20, 21
Ola Wikander	22
Philip Teuscher	25
Jan Robberts	27
Per Gunwall	30
Åke Mellbring	35
Riggert Andersson	43, 44
Charlotte Thege	35, 36

Photographs taken from SIDA's picture archive.



**SIDA'S GUIDELINES FOR
PROJECT SUPPORT,**
is a basic instrument intended for SIDA's personnel and others engaged directly in foreign aid. It offers general guidelines pertaining to the assessment, implementation, and final evaluation of projects. A systematic description comprising all phases of project support is also included. Factors of particular significance to project support, such as the feasibility analysis and the calculation of cost benefit are also described.