

Facilitator: This is the final module of the workshop. This module focuses primarily on hands-on activities associated with developing the project concept the participants have brought with them into an actual project. Because there are so many hands-on activities associated with this module, it is expected that this module will take 2 days to complete.

In this module the participants will learn the *key steps, the sequence and process of CCA project preparation* so that they can manage the process in an efficient manner in their country.

The objective is to give you a sound guide to managing the CCA project preparation process. The module will suggest the key steps involved, the contents of each step, how to involve stakeholders in each step, and will provide a proven way for pulling all the work together into a CCA project that is clear to understand and can be efficiently implemented.

At the end of this module, participants will have developed the following key skills/competencies:

- Management of project design phase steps involving consultants, including:
 - Developing a terms of reference (TOR)
 - Consultant selection
 - Management and evaluation of bids
 - Negotiating consulting agreements
 - Logistical arrangements to support the consulting team
- Steps in project preparation, with particular emphasis on:
 - Problem tree analysis
 - Objective tree analysis
 - Project development objective
 - Logistical framework
- Best practices for monitoring and evaluation

- **Day 1: Climate Finance and the “Evidence Base”**
- Day 2: Linking to Broader Strategies and Problem Identification
- Day 3: Managing Project Prep and Economic Considerations
- Day 4: Safeguards and Project Design
- Day 5: M&E and the Path Forward



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Module 2: Finance for Adaptation

This module will cover the main sources of finance for adaptation, focusing on the main international funds, and how to access their resources. If the country in which the materials are being implemented has a domestic fund, the module will cover the domestic fund. Full details for localization of this module can be found in the instructor guide. In addition, it will include the global Adaptation Fund (AF), Green Climate Fund (GCF), Global Environment Facility (GEF), etc. The aim of the module is to inform participants of the various sources, their requirements for access, an orientation to their formats for project concepts and proposals, and the main features of project proposals that they seek.

Outcomes of module 2: *Trained government personnel who understand the basics of identifying international climate finance for use in future CCA projects in their countries.*

Objective of module 2: Training materials on the various sources of international financing for CCA projects. The materials will be adequate for presenting a one-day module to a group of country officials, including slides, case studies and supporting

notes/source information.



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Overview of Module 6

- **Adaptation project basics**
- **Preparing for project design**
- **Due diligence and appraisal**
- **Implementation, monitoring, & evaluation**

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In this module we will draw on the information provided in the previous modules to help you understand the proposal development process.

Adaptation project Basics: Section one will discuss some basic aspects of adaptation projects that make them different from normal development projects or capital improvement projects. We'll give you some practical advice and best practices to bear in mind throughout the whole project design process.

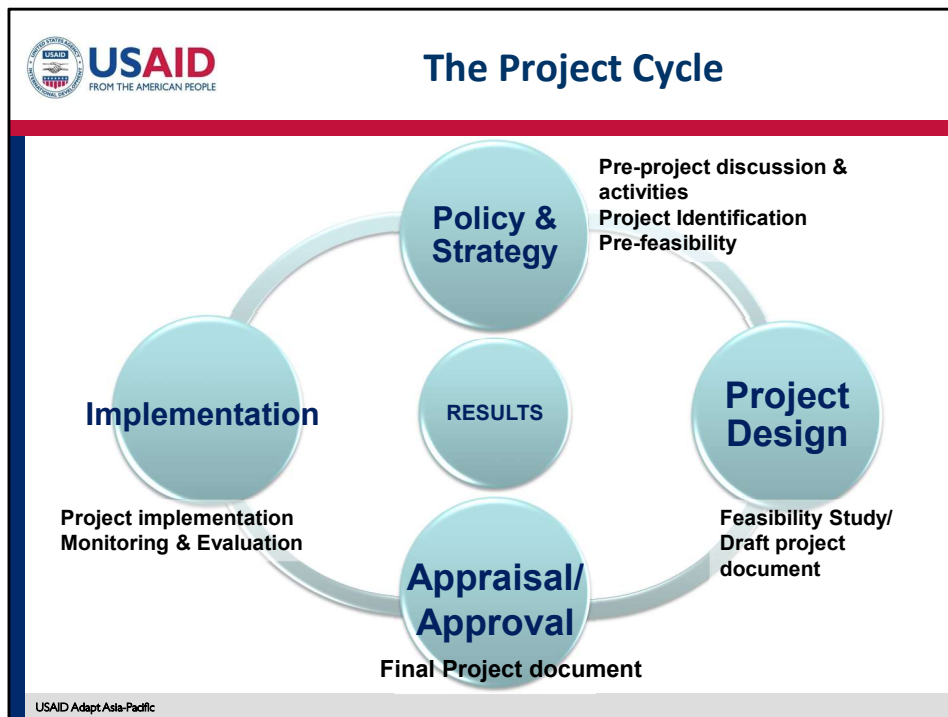
Preparing for project design: Section two will go step by step through the process of recruiting a consulting firm to carry out project design. Remember, the government does not design the actual project. Rather project design, since it is a complex and highly technical process, is normally conducted by teams of highly trained and experienced professionals. We'll discuss standard practices involved in *managing* the design team to ensure optimal performance, which is your major responsibility as a government representative.

Preparing for project design: In Section three, we'll look at the steps in the process of project design. This is where your project concept begins to take shape; this is where you figure out how to "operationalize" the goal you have decided on. Here we'll

demonstrate and practice some tools that will help you manage the process of project design so that your results are bankable adaptation projects.

Due diligence and appraisal: In **Section four** we will discuss how project proposals are screened by either the government, the financier, or both.

Implementation and monitoring. In the last section of the module, we will discuss some aspects of managing implementation, monitoring, and evaluation.



In this slide we return to the project cycle in order to contextualize the material from module 5 in the overall process of project management. Today we will be focusing on some aspects of project design, appraisal, and implementation. However, since the focus of this course is primarily on project preparation, most of our energy will focus on project design.



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Who prepares projects?

- For external funding, governments **do not** prepare projects *by themselves*
- Government has “oversight” responsibility, not “hands on”
- If multilateral agencies (e.g. ADB) prepare, then process is more simple for government; if domestically funded, government has total responsibility
- *However, efficiently managing the process requires government staff to understand the steps involved and the preferred sequence*

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By “prepare projects”, we are referring to the conduct of the feasibility study and the development of the project documentation.

For external funding, governments do not prepare projects by themselves.

Government officials do not prepare projects. Few Government officials at any level have experience of working in project preparation teams – even if they have experience it has been “oversight” of design/preparation work by consultants, institutes or NGOs, and not hands-on work.

Government has “oversight” responsibilities, not “hands on”. Even though you will not be directly involved in project design, you do have critical responsibilities in guiding and supporting the project design process, and ensuring that it results in a quality product that both addresses urgent adaptation needs and meets the requirements of financiers.

If multilateral agencies (e.g. ADB) prepare, then the process is more simple for government. Traditionally, a great deal of adaptation (and development work in general) has been guided by bilateral and multi-lateral agencies. Countries place greater reliance on MIEs/RIEs for international CCA financing than on NIEs. Multilateral

Implementing Entities and Regional Implementing Entities prepare the bulk of CC adaptation projects – as they have the mandate and need the income from management fees. This is also the case in the Asia-Pacific region. Overall, over 70% of the Adaptation Fund’s 74 projects either approved or under review have come from MIEs or RIEs. The AF has reported a recent surge of interest in regional projects and more interest at the national level due to recent initiatives to increase direct access opportunities.

- There are advantages to working through multilaterals. They have experience, they provide a great deal of support in the pre-feasibility and feasibility stages, they help ensure that project design complies with standards. Projects designed by multilaterals also generally fit into broader country strategies and the “project pipeline”.
- However, there are also disadvantages. Multilateral-driven projects have less host country “ownership” than projects that originate within the country. Financiers such as the Adaptation Fund, and potentially the Green Climate Fund, also have quotas on the amount of money that can be accessed by multilaterals and bilateral implementing entities. This is because they want to encourage countries to utilize the direct access modality.

However, efficiently managing the process requires government staff to understand the steps involved and the preferred sequence.

CCA is and will continue to be primarily a local issue. Probably 75% of all CCA financing comes from domestic sources – although it is hard to quantify exactly how much this is, what form it takes and how effectively it is allocated. The use of standard “cookie cutter” approaches that are insufficiently designed to address local realities is to be expected.

The material on this slide addresses **learning objective 5.1.B.**



Project Cycle Responsibilities

Project Cycle Step	Who's Responsible?	Managerial Responsibilities
1. Climate policy & strategy	Government	Be informed and alert
2. Project design	Financier, lead agency, contractor (design team)	Project concept, TOR for design, supervision of contractors
3. Project appraisal	Financier, lead agency, contractor	Verify quality, feedback. Yes/no
4. Project implementation	Implementing entity	Supervision, reports
5. Monitoring & evaluation	Implementing entity	Supervision

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This table shows the responsible (lead) parties for each step in the aforementioned project cycle along with the managerial responsibilities associated with each step. As we go through the course each of these project cycle steps will be discussed in detail. Introductory comments are made below:

- 1. CC policy & strategy:** the NAPs at country level or below (state/provincial level) provide the "best guess" analysis of the country's situation as currently anticipated after a significant amount of climate modeling and related work.
- 2. Project design:** initial project concepts are normally developed with assistance of development partners or domestic groups (such as NGOs) often after a request for proposals is issued by the lead government agency. Ideally these should include outline terms of reference for a design team. The project design phase includes all aspects of project identification, preparation and feedback from reviews/appraisal and may take 6 months to implement in full.
- 3. Project appraisal:** This is a yes/no decision point. Appraisal should be rigorous: (i) *Role of appraisal:* Sound project appraisal should take a broad perspective and be thorough so as to help develop the best and most efficient climate change adaptation projects. It should also

exercise authority: (i) to stop poor projects being developed; (ii) to correct or redirect good projects that may be off-track in preliminary design; (iii) to determine if project components are consistent; (iv) to assess the sources and magnitudes of risk; and (v) to determine how to reduce and efficiently share risks.

(ii) **Impact of appraisal:** Quality of analysis (also called “quality at approval or at entry”) has been found to be a key determinant of the success of a project’s performance. A thorough appraisal will sometimes cause the project to be redesigned so that it is less likely to fail.

Evaluation studies after completion have shown that poorly prepared projects (e.g. those with inadequate appraisal) fail far more often than well-prepared projects. (iii) **Scope of appraisal:**

The scope of project appraisal consists of a review of all the materials provided by the design team in the initial project design paper, and identification of any incomplete or overlooked tasks that should be completed to meet the financier's requirements.

4. Project implementation: After financial approval, the project is implemented in the way described in the project design and management framework.

5. Monitoring and evaluation: Although monitoring and evaluation is listed as a step in the USAID project cycle, here we have separated it for special attention. This is because, in practice, monitoring and evaluation is rarely done, or rarely done well. We talk about this here because it’s a key step because the results from monitoring and evaluation feed back into future project design. That’s not done frequently, but it should be. Because if you don’t learn from your mistakes, then you will repeat them. If you are not incorporating the lessons learned, then you will find it harder to get approval. It also makes the next round of preparations easy and easier to scale up. You don’t have to spend money re-learning the things you already know how to do.



Facilitator: NOTE THAT THERE IS A DUPLICATION REQUIREMENT FOR THIS SECTION. Prior to the delivery, you should prepare copies of the Mysore Terms of Reference that is included in the resources pack for each participant. You should also make sure that all participants have a copy of the Terms of Reference Activity Guide worksheet. You should also review this TOR and familiarize yourself with it. If you have never developed a TOR before, we recommend that you review other TORs as well to get a feel for general contents and structure, and what should go into a TOR.

The information in this section will provide you of an overview of logistical and managerial considerations associated with project development. This section focuses on laying the groundwork for successful project development and the conditions that should be in place prior to beginning the project design stage of the project cycle. We have included a great deal of practical guidance and advice based on experience.

General topics and sequence of topics to be covered in this section include:

- Your management team: basics, organization, and best practices
- Developing a good Terms of Reference
- Consultant selection
- Negotiating a consulting agreement
- Logistics & orientation.

GOALS-IMPORTANCE-OBJECTIVES-OVERALL FIT

GOALS: The goal of this section is to provide participants with information related to the recruitment of consulting teams for the project design stage of the project cycle so that they can internalize best practices associated with recruiting qualified and capable consulting teams under conditions that are fair to both the government and the experts and professionals that will design the project and conduct the feasibility study. This section also aims to demonstrate how to maximize clarity between the government and the consulting team so that expectations related to project design are clearly spelled out.

IMPORTANCE: This section is very practical in that it addresses some concrete tasks that the management team will need to carry out before the project design phase begins. As we have emphasized throughout this module, one of the fundamental determinants of success in terms of project design is getting the right people for the job, and managing them in such a way that they understand what is expected of them and can perform their duties in an optimal manner. This section builds on years of experience related by project professionals and draws on the experience of the USAID Adapt Asia-Pacific program.

OBJECTIVES:

5.3.A. Participants will identify key principles associated with organizing and structuring a government management team.

5.3.B. Participants will describe necessary components for a Terms of Reference and will apply best practices to the development of their own TORs.

5.3.C. Participants will describe key considerations and milestones associated with consultant selection.

5.3.D. Participants will explain key considerations for negotiating a consulting agreement.

5.3.E. Participants will describe management team responsibilities related to logistics, setup, and orientation once the design team is recruited.

OVERALL FIT: At this stage of the project cycle you are finished with project identification and selection, and are now ready to begin the project design stage. The material in this section bridges the gap between project identification and design and helps you understand how to recruit the best people for project design, and how to lay

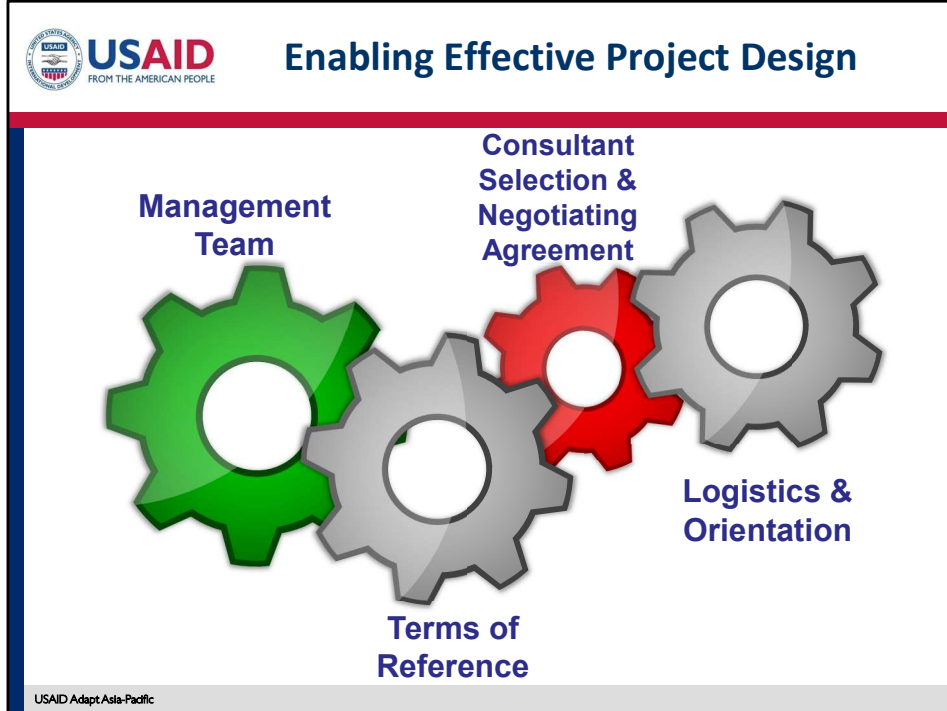
a foundation for success for the design team.



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Module 8 Section 1 Objectives

- 8.2.A. Identify key principles associated with organizing and structuring a government management team.
- 8.2.B. Describe necessary components for a Terms of Reference and will apply best practices to the development of their own TORs.
- 8.2.C. Describe key considerations and milestones associated with consultant selection.
- 8.2.D. Explain key considerations for negotiating a consulting agreement.
- 8.2.E. Describe management team responsibilities related to logistics, setup, and orientation once the design team is recruited.



As mentioned on the previous slide, part of the management team’s responsibilities is to create the conditions whereby the project preparation team can effectively fulfill their responsibilities. In this section we’ll outline several tasks associated with the selection and management of a capable and qualified design team, along with some best practices. Again we emphasize the point that making good arrangements up front, recruiting a good team, and having a clear understanding of what is expected goes a long way towards ensuring that good projects are designed. Remember that under normal circumstances, the host country is responsible for the selection, engagement, and supervision of loan/grant-financed consultants.

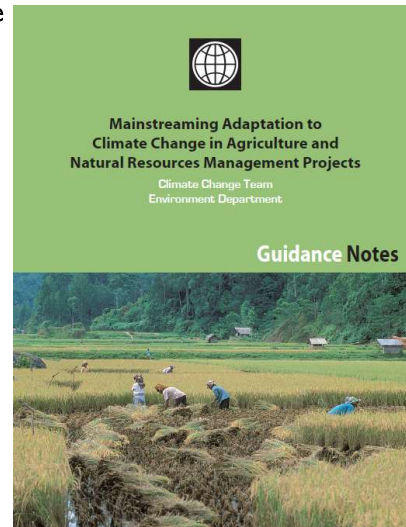
This is particularly true with **direct access** mechanisms as opposed to multilateral-run projects. For example, in module three we used as an example a multilateral-run project in Fiji. That project had a technical assistance components. Typically when there is a TA element, the financier (e.g. ADB) is responsible for the selection, engagement, and supervision of TA grant-financed consultants. However, via direct access, you will be responsible for more of these tasks.

The material in this slide addresses **learning objective 5.2.A**.



Your Management Team

- Primary function: support and oversee the design team
- Identify the most relevant institutional partners & clarify responsibilities
- Identify and liaise with key stakeholders
- Ensure allocation of sufficient resources
- Avoid interagency politics



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Primary function: support and oversee the design team Here we reiterate that the government in most cases does not participate directly in the project design stage of the project cycle, but has a critical role in supporting the design team, guiding the process through to completion, and ensuring quality results.

Identify the most relevant institutional partners. (KEITH, IT'S NOT CLEAR WHETHER THIS IS A GOVERNMENT OR CONSULTANT RESPONSIBILITY?) When identifying institutional counterparts, you should consider whether these counterparts are most relevant for the specific project under consideration. For example, mainstreaming adaptation in overall rural development planning is different from focusing on immediate issues of concern, such as the increasing frequency of flood or drought. Projects addressing each of these issues would require cooperation and coordination with different institutional entities. The World Bank recommends conducting an **institutional review** to identify the most suitable ministries, departments, or agencies to involve as champions or implementers. An institutional review will also enable you to explain the institutional context in project documents. More from the World Bank: “organizational mandates and/or coordination gaps among different agencies should be highlighted and may be addressed by the project, and clarifying responsibilities among various agencies involved is a crucial trigger of success” (World Bank n.d.: 6).

Management teams are generally composed of personnel from the ministry of finance and the sponsoring agency, as well as a local team. As the World Bank notes, “in order to be effective, adaptation must be fully integrated in national economic planning and in the preparation of sectoral plans and budgets. Hence the ministry of finance or other central ministries may need to be involved in order to assure linkages with the budget process” (World Bank n.d.:10).

Identify and liaise with key stakeholders. (KEITH, AGAIN GOVERNMENT OR CONSULTANT RESPONSIBILITY?) There are many “key stakeholders” who need to be involved in the project preparation process, including: local elected officials and government institutions, leaders from communities, faith-based organizations and schools, influential sectors of the private sector and business community, public opinion-shapers in various forms of the communications media, and interested NGOs, CSOs, and academic/research institutions. This requires a lot of skill in coordinating inputs from all these stakeholders, managing the inherent tensions and rigid ideologically or politically motivated oppositional stances or agendas among different groups or individuals, and facilitating consensus-building Shared Learning Dialogues as an “honest broker” in discussions about climate change threats and solutions.

From the World Bank: “When trying to engage in a dialogue on adaptation, important partners can be found at the state and local levels as well. Because climate change impacts are local, raising awareness and assuring collaboration at these levels should be easier. For example, the World Bank’s Andhra Pradesh Drought Adaptation Initiative (AP-DAI) in India engaged the state government and used community-based organizations as a vehicle to reach out to farmers and villagers. This example shows that it is not only crucial to engage with governmental institutions, be it at the local or central level, but also to involve other counterparts. Possible partners, depending on the country and project, include NGOs, other multilateral organizations, bilateral donors, local research institutions or neighboring countries that have made progress in a specific area of adaptation. By taking advantage of local pilot projects to demonstrate the effectiveness of adaptation measures, interest and commitment at higher institutional levels could then be fostered” (WB n.d. 9).

Ensure allocation of sufficient resources. This is a point we have made several times now. Good, quality work during the project design stage is foundational to securing funding and achieving the project’s objectives. To this end, make sure that sufficient resources, both monetary and support services, are committed up front for project design. In some cases, financiers provide grants for project design. For example, the Green Climate Fund is currently working on a program to provide grants for project preparation.

Avoid interagency politics. An unfortunate characteristic of bureaucracies is not just the global south, but in virtually every country, is “turf wars” or internecine conflicts within the government. In some cases agencies have overlapping mandates and refuse to cooperate or coordinate. In other cases agencies jealously guard information. These characteristics and practices are detrimental to project design and implementation, especially in the realm of climate change, since, as we’ve learned, the impacts are so interconnected and cross-sectoral in nature that any effective measures to address them will require significant coordination and cooperation.

The material in this slide addresses **learning objective 5.3.A.**

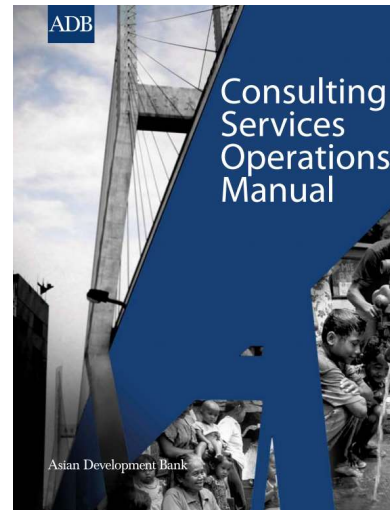
The image in this slide is the cover of the World Bank’s very useful series of Guidance Notes on Mainstreaming Adaptation to Climate Change in Agriculture and Natural Resource Management Projects. The series is divided into 8 individual guidance notes that provide practical advice on all stages of the project cycle. These notes are included in the participant resources pack. Some material for this slide was sourced from Guidance Note 1: Engaging Key National Institutions in the Adaptation Agenda. Download at: <http://siteresources.worldbank.org/EXTTOOLKIT3/Resources/3646250-1250715327143/GN1.pdf>.



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ADB Considerations for Consultants

- Need for high-quality services
- Need for economy and efficiency
- Need to give all qualified consultants an opportunity to compete in providing the services financed by ADB
- ADB's interest in encouraging the development and use of national consultants from developing member countries
- Need for transparency in selection process
- Need for increasing focus on anticorruption and observance of ethics



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We begin with some general guidelines from the ADB. Those these guidelines were developed by the Asian Development Bank, they are good principles that can be generalized to all situations in which you have a need to engage consultants.

Remember that when you are working with a multilateral or bilateral agency, they most likely have procedures outlining the use of consultants which must be followed. Therefore it is best to be familiar with those procedures ahead of time.

Need for high-quality services. This point is self-explanatory, but project design is a highly technical exercise that requires trained and experienced specialists across a range of disciplines. Make sure you are picking the right people for the job. Each project is different and requires a different mix of experts. Choose reputable consulting firms with a track record of performance.

Need for economy and efficiency. As noted in a previous module, terms of reference specify the amount of time allocated for each team member. Thus it is important to make sure that the team is managed to get the most out of each member's time on the job.

Need to give all qualified consultants an opportunity to compete in providing the services financed by ADB. This includes the following considerations:

- Avoiding **unfair competitive advantage**. All shortlisted companies should have access to the same information.

ADB's interest in encouraging the development and use of national consultants from developing member countries. The ADB encourages the use of national consultants when possible. This is a good practice, because it keeps project money in your country, and also contributes to the longer-term goal of developing human resources and capacities. However, recognize that there are times when you have to go international to find the requisite skillset and experience.

Need for transparency in selection process. Transparency is required in the bidding process to ensure that collusion and corruption are minimized. This means that procedures need to be explicitly spelled out and followed.

Need for increasing focus on anticorruption and observance of ethics. There are a number of aspects to this, including:

- Avoiding **conflicts of interests**. A conflict of interest is a situation in which a party has interests that could improperly influence that party's performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations. Conflicts of interests take several forms. One way to avoid conflicts of interests is to compartmentalize different aspects of the project cycle. For example, a firm or individual hired to prepare an engineering design for an infrastructure project should not be engaged to prepare an independent environmental impact assessment for that project.
- Avoiding **coercive practices**, which means impairing or harming or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence the actions of a party.
- Avoiding **collusive practices**, which is an arrangement between two or more parties designed to achieve an improper purpose.
- Avoiding **fraudulent practice**, which is any act of omission or misrepresentation that misleads, or attempts to mislead a party to obtain a financial or other benefit or to avoid an obligation.

The material in this slide addresses **learning objectives 5.2.B and 5.2.C**.

The picture on this slide is the cover of the ADB's Consulting Services Operations Manual (2008), which provides a tremendous amount of useful information regarding the use of consultants. The manual is included in the participant resource package, and it can be downloaded at <http://www.adb.org/sites/default/files/institutional->

document/31340/csom.pdf.



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Terms of Reference (TOR)

The quality of TORs and the budget available to undertake project preparation can significantly affect the quality of the project proposal!

- I. Introduction
- II. Objectives
- III. Deliverables
- IV. Team composition & time
- V. Background & stakeholders
- VI. Issues to address, SOW, mid-term review
- VII. Qualifications & experience
- VIII. Duration & reporting
- IX. Implementation arrangements
- X. Information details & references
- XI. Budget & implementation schedule

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Facilitator: Examples of each of these parts of the TOR can be found in the TOR of the Integrated Drainage System and Climate Change Adaptation Project, Mysuru, India, which is included in the participant resources pack. You may choose to print this terms of reference ahead of time and go over the parts of the TOR as you cover this slide, pointing out how each item was addressed. Note that the consulting team may consist of individual consultants recruited and hired separately, or it may be a firm that supplies all of the required expertise.

A terms of reference (TOR) is a document that describes the tasks and duties required of a project contractor. It includes planned activities, inputs and outputs, a budget, working schedules, and job descriptions. The TOR is included in the contract that will be negotiated between the management team (of the government) and the project design team (typically a consultancy firm on larger projects) that prepares the feasibility study that underpins the preparation of the project. The design team may be a national or international consulting firm, an engineering firm, a construction firm, management firm, procurement agent, inspection agent, auditor, university, research institution, or NGO.

Developing a good terms of reference for appointing and recruiting the project design

team is a crucial step and has a significant bearing on the quality of the project proposal, for better or worse. Each country has its own guidelines for developing a TOR; make sure you are familiar with the conventions that apply in your country. In addition, the project financier may have guidelines and requirements for TORs. You should be aware of any requirements from the project's financier.

For example, the ADB has strict requirements that must be closely adhered to. These requirements are described in the Guidelines on the Use of Consultants by the ADB and its Borrowers (download at <http://www.adb.org/sites/default/files/institutional-document/31481/guidelines-use-consultants.pdf>; also included in participant resources pack). Failure to follow the proper procedures and requirements may delay approval of the contract and could even prompt the financier to withhold financing.

You will be responsible for formulating or at least approving (on a no objection basis) the TOR, which should include the following components:

TOR

(i) Introduction. The introduction describes the basic nature of the project along with supporting organizations/institutions.

(ii) Objectives. The objectives of the consultancy. This includes the overall objective along with a brief description of major activities associated with the consultancy.

(iii) Deliverables. This refers to the outputs of the consultancy. Outputs are separately described, with details of what the individual outputs entail.

(iv) Team composition & time. This details the types of specialists that will be needed on the design team. Normal core skills include technical, social, gender, and environmental, and financial & economic skills. This section of the TOR indicates the total time for the consultancy, and a breakdown in terms of "person-months". These person-months are then broken down into the amount of time required for each specialist. International/National requirements are also specified in the team composition breakdown.

(v) Background & stakeholders. This section outlines the participants and stakeholders, as well as the climate change adaptation aspects in the project context. The background normally includes the following information:

- Geographic setting for the project
- Relevant details related to the problem the project aims to address
- Relevant sector strategies
- Descriptions of government entities & other stakeholders.

(vi) Issues to address, SOW, mid-term review. This section generally includes an analysis of climate change impacts and Scope of Work (SOW) broken into phases. Each phase includes a detailed description of the responsibilities of the consultant team during that phase of work.

(vii) Qualifications & experience. This section includes a statement of the qualifications necessary **for each member of the design team**. Included is a general job description for each specialist, along with a list of technical responsibilities and qualifications and experience. This section is particularly important so that the consulting firm can assemble the right mix of specialists with the requisite skills for the contract.

(viii) Duration & reporting. This section includes the duration of the consulting contract and the reporting requirements. Reporting requirements should specify to whom the deliverables will be delivered along with a timetable for the deliverables.

(ix) Implementation arrangements. Implementation arrangements refers to a description of the steering group (or other oversight mechanism) and counterpart contributions. This section will also include a schedule for consultations/meetings between the consulting team and the steering committee. This section will also describe the main tasks of the steering group. The Implementation details will also describe “counterpart contributions”, which include logistical and in-kind support for the consulting team.

(x) Information details & references. This section is a list of the plans, strategies, policies, and other documentation that is referred to in the TOR and other project documents.

(xi) Budget & implementation schedule.

The material on this slide addresses **learning objective 5.2.B**.



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Typical Team Composition

- Team leader
- Gender & social inclusion
- Technical specialists depending on sector
- Economic & financial analyst(s)
- Environment specialist
- Climate specialist
- Other specialists depending on circumstances (e.g. legal, governance, institutions)

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Team composition will vary from project to project, but there are some specializations that are included on most if not all project design teams. If possible all of the specialists should have experience with climate change.

Team Leader. The team leader is a fixture on all teams. Team leader should have project management experience, and also experience and expertise in the relevant sector(s).

Gender and Social Inclusion. The gender and social inclusion specialist will help with fulfilling safeguards and mainstreaming gender considerations into project design.

Economic and Financial Analyst. Another fixture in all design teams. This specialist should have some knowledge/experience with the relevant sector. This expert(s) will largely be responsible for carrying out the economic analysis.

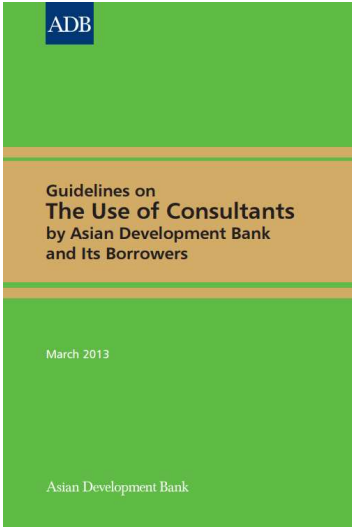
Environment Specialist. This specialist will help with adhering to environmental safeguards, an important requirement of many financiers.



Consultant selection

- Shortlisting
- Request for proposals (RFP)
- Bids
- Bid evaluation

Know your country's rules and procedures!



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Shortlisting. In cases in which you are being supported by a financier (e.g. ADB), the financier may provide a long list of consulting firms. However, the list doesn't constitute an endorsement of the consultants; the borrower may delete or add firms. In other cases you may develop your own long list. The next step is to narrow down the long list to a "shortlist", which is the responsibility of the borrower. ADB loan packages also generally include proposed methods for selection of consulting services and the type of proposal, and an overall recruitment schedule and budget for each consulting contract package. Here are some general tips for shortlisting:

- First consideration to firms expressing interest with relevant qualifications
- Shortlist should consist of around 6 firms and include candidates from developing countries (though smaller projects may shortlist all national firms)
- In multilateral access projects, financier should approve shortlist and it should not be amended after approval.

Request for Proposals. After the TOR is developed, a Request for Proposals (RFP) is circulated to the firms that have been shortlisted. For ADB projects, ADB generally lists all loan projects requiring consulting services on their website before shortlisting. To attract expressions of interest (EOI) from consulting firms, you may choose to advertise in appropriate national journals, newspapers, or websites. The ADB uses a

standardized RFP format, which includes the following:

- Letter of invitation
- Instructions to consultants, including a data sheet and **evaluation criteria**
- Technical proposal standard forms
- Financial proposal standard forms
- TOR
- Standard form of contract
- List of eligible countries.

If you circulate the RFP electronically, make sure that you use a secure system so that the RFP cannot be modified. Also, different countries have different requirements for the approval of RFPs, bids, and other elements associated with consultant selection, so make sure that you are aware of, understand, and comply with your country's requirements.

Bids. In general, firms are required to submit technical and financial proposals in sealed envelopes at the same time. After this deadline no additional materials or bids will be accepted.

Bid Evaluation. At this stage the proposals are evaluated, generally on the basis of some point system. Technical proposals are evaluated first, and those that pass muster move on to the financial evaluation stage, which should be open to the public to increase the transparency of the process. The total final score is obtained by weighting and adding the technical and financial scores.

In some ADB-financed projects, a procedure known as Quality- and Cost-Based Selection (QCBS) is utilized. This method looks at the cost of the proposed services and relies on a clear definition of the SOW, a clear TOR, and a relatively precise estimate of the personnel time and other inputs required.

The material in this slide addresses **learning objective 5.2.C**.

The image on the right hand side of the slide is the cover of the ADB's [Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers](http://www.adb.org/sites/default/files/institutional-document/31481/guidelines-use-consultants.pdf), (2013). The guide can be downloaded at <http://www.adb.org/sites/default/files/institutional-document/31481/guidelines-use-consultants.pdf>; it is also included in the participant resources pack.



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Negotiating a Consulting Agreement

- Explicit discussion of all aspects of the TOR
- Follow procedures required by project financier
- Supervision of consultants
- Clear channels of communication

How to drive away good professionals (or “how to fail”)

- **Cheapest = best**
- **Nepotism, favoritism**
- **Inadequate budget or time**
- **Lack of support/confidence**

Clarity up front helps to ensure quality results!

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The government then negotiates a contract with the first ranked firm. Negotiations include the following elements:

- TOR
- Methodology
- Personnel schedule
- Government counterpart facilities
- Quantities of cost items in the firm’s proposal.

The discussions should not substantially alter the original TOR. For example, the consulting firm should not be allowed to substitute experts, unless both parties agree. Unit rates for remuneration should not be altered and new expenses should not be negotiated. Successful negotiations conclude with the **signing of the contract**. If negotiations are unsuccessful, the government may terminate the negotiations and start negotiations with the next ranked firm (though in ADB funded projects this requires ADB approval).

Explicit discussion of all aspects of the TOR. When negotiating with a consulting firm, make sure to spell out the objectives, scope, outputs, team composition, support and office logistics, field transportation details, reporting details (mid-term, draft final with

maps and detailed costs, etc.), duration, and itemized budget. Careful consultations during the negotiation phase can help reduce confusion later on in the project design process, and can reduce/eliminate ambiguity about expectations on the part of both the management and design team.

Follow procedures required by financier. Here we reiterate a point made in the discussion of the TOR. Financiers may have requirements and guidelines for project preparation consultants; it is important to be aware of these requirements and to follow them.

Supervision of consultants. Consultants must be adequately supervised. Any serious defect in a consultant's performance may have a profoundly adverse effect on the project. Procedures for supervising consultants may include discussions during reviews and briefings concerning the consultant's performance, and performance evaluations as reflected in periodic progress reports. The responsibility for reviewing the consultant's reports should be defined and identified so that the reports can be reviewed expeditiously and prompt feedback provided to the consultants.

Clear channels of communication. Channels of communication between the consultant and the management team and other project participants should be established clearly and the procedures for information flows explicitly laid out.

Again, all countries have their own systems, and if negotiating with a domestic executing entity, the arrangements may be simpler. However, the best practices provide an adequate budget to do the job of project preparation, as well as transparent processes that can be relied upon. If budgets are insufficient or if processes are ambiguous or unreliable, qualified consulting services companies or agencies capable of doing good work will not participate.

Negotiate in fairness, not like you're at the market, negotiate a mutually beneficial contract that will lead to quality design. Tendency to go towards price AND quality in bid approval.

The material on this slide addresses **learning objective 5.2.D**.



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Logistics & Orientation

- Office logistics
- Transport services
- Secretarial & banking
- Arrange orientation visits
- Facilitate contacts with stakeholders

Don't be a "gatekeeper"

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Office logistics. For a consulting team engaged to prepare a project, a fully equipped office base with a fast, dependable Wifi internet connection, furniture, and reliable utilities is typically rented. For a local entity preparing a project, a fully equipped office base may already be available. Use of these facilities & services will be billed under their contract.

Transport services. The design team will also need transport services, which should be arranged by the management team. In the case of a local entity, use of existing transport services may be billed under the contract.

Secretarial & banking. Secretarial and banking services will be required for the consulting team to function. These should be arranged within the first week of project preparation activities.

Arrange orientation visits. Orientation visits throughout the project area will be required for the team leader and for each consultant, with specific subject matter focus.

Facilitate contacts with stakeholders. The project preparation team will also need to

have contact with key stakeholders associated with the project. The management team can facilitate these, along with field trips and introductory meetings.

Don't be a "gatekeeper". Governments often want to be a "gatekeeper", controlling and micro-managing access to information and meeting arrangements, discouraging free access by the design team. This is detrimental to quality project design and is not encouraged; free access is better, more flexible and more efficient.

All of these things need to be in the contract!

The material on this slide addresses **learning objective 5.2.E**.



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Resources for section 1

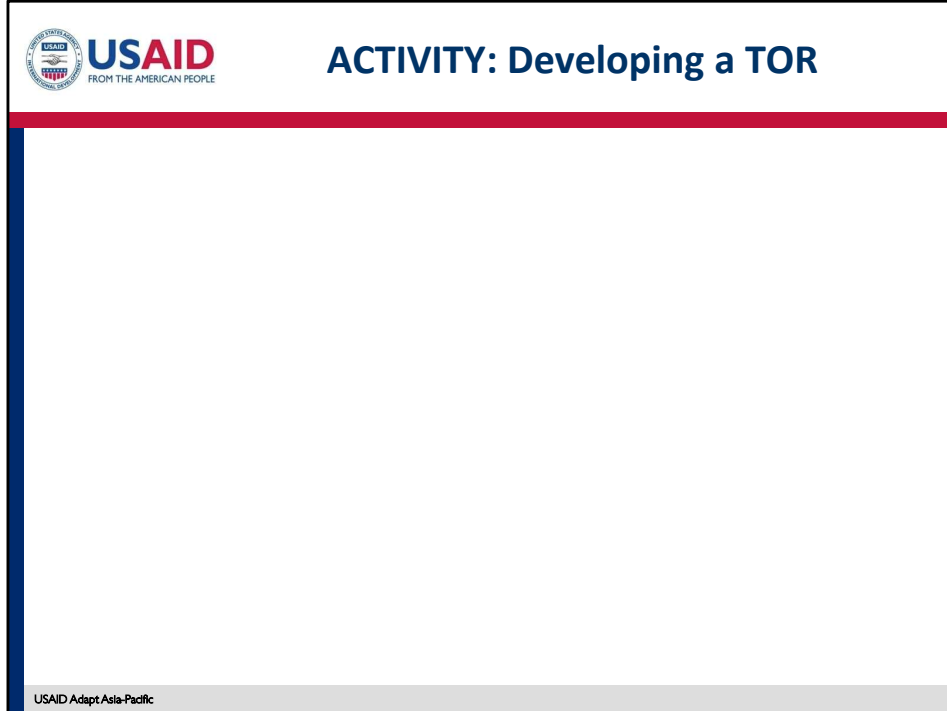
- [General Procedures for Selecting and Engaging Consultants](#). ADB 2014.
- [Guidelines on the Use of Consultants by ADB & its Borrowers](#). ADB 2013.
- [Guidelines for Selection and Employment of Consultants by World Bank Borrowers](#). World Bank 1997.

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General Procedure for Selecting and Engaging Consultants. ADB 2014. Download at <http://www.adb.org/sites/default/files/institutional-document/33431/pai-2-03.pdf>; also included in participant resources pack.

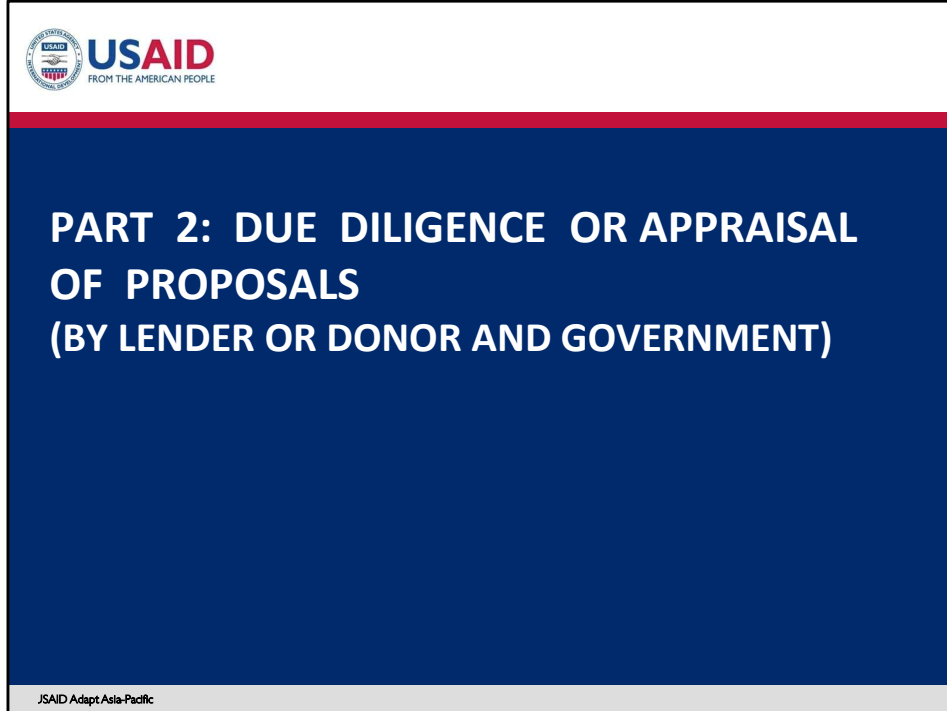
Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers. ADB 2013. Download at <http://www.adb.org/sites/default/files/institutional-document/31481/guidelines-use-consultants.pdf>; also included in participant resource pack.

Guidelines for selection and employment of consultants by world bank borrowers. World Bank 1997. Download at <http://siteresources.worldbank.org/INTPROCUREMENT/Resources/ConGuid-05-02-ev4.pdf>; also included in participant resources pack.



Facilitator: Here refer to the worksheet included in the participants materials on preparing a TOR. This worksheet includes a number of questions to develop the framework for a TOR related to the participants’ projects. Divide the participants into groups so that they can complete the exercise. This exercise should take approximately 2 hours. Discussion should be encouraged.

The facilitator and supporting experts should move from group to group to assist the participants.



Note to Facilitator: The reason for separating out this section of the project preparation process is that funding agencies will take the initial project preparation documents usually prepared by consultants under project preparation technical assistance and put the proposal through a series of “**screens**” – technical feasibility, economic and financial due diligence, rationale for additional climate finance, environmental and social safeguards, adequate fiduciary controls of procurement and invoicing of goods and services, disbursements and accounting of project funds, etc. **All of these steps (plus others not covered here) are required** as part of most funding agencies’ **due diligence** procedures, although they vary from organization to organization.

It is **not** our intention to show you how to do all of these analytical review processes as that would be beyond the scope of our purpose of describing what types of review will occur to any proposal. However, it is important for project proponents to know what these screens are and how they work in order to prepare and submit better (that is, more “bankable”) CCAR project proposals with a higher probability of being approved to receive financial assistance.

As managers of project preparation you need to be aware of the steps in the analysis

and the elements of “best practice”.

Appraisal

The initial project proposal will then go through key aspects of due diligence and appraisal before approving a project:

- Step 1 -- Economic & Financial Analyses
- Step 2 -- Technical (and managerial) Feasibility
- Step 3 -- Financial Management (FM) and Procurement Systems
- Step 4 -- Environmental & Social Safeguards
- Step 5 -- Approval, Final Negotiations & Start of Implementation



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This is an iterative process in which you might have to do internal review and then revision.

Evaluate the feasibility study, send comments back to the design team and then the design team will incorporate those things into the project document.

The final step prior to approval is completion of the final project document in the funding agency's format.

Note to Facilitator: Other important components of project proposals address technical feasibility, financial analysis, environmental and social safeguards, fiduciary principles of financial management and procurement. These are discussed in the slides that follow. Go through each bullet point-by-point, but without delving too deeply into any one of them since all of these project review screens are described in greater detail in subsequent slides.

1st Bullet (Step 1): Economic & Financial Analyses -- The objective of **Financial analysis** (of **commercial profitability**) is to assess the net financial results of a project from the investor point of view, while the **economic analysis** (of “public” profitability) aims to identify and measure the net economic benefits of the project from the society point of

view. The former uses market prices; the latter uses “shadow prices” to estimate what true economic prices would be if they existed for that “shared common” public good or service.

2nd Bullet (Step 2): Technical (and managerial) Feasibility – This is self-explanatory, but basically the technical (but sometimes also having to do with the institutional coordination or administrative/logistic issues of) complexity or difficulty of getting some stated purpose or task done in a timely and cost-effective way.

3rd Bullet (Step 3): Financial Management (FM) and Procurement Systems – These are highly technical and specialized fields of expertise and applied industry practices that will be explained later. Basically, they refer to the financial controls over how funds are collected and disbursed, how the accounting of project funds is kept track of (how the “books” are done), and how goods and services are acquired and paid for. It is all about keeping track of the money (that is, of project funds.)

4th Bullet (Step 4): Environmental & Social Safeguards – These “Safeguards” are comprised of a set of common, but not identical “concerns” about unnecessary or excessive damages done to the environment or to people and their cultural practices, history, or sacred or special places that might be threatened by a given project. They vary by organization, but revolve around a similar set of concerns or policies to “cause no (unnecessary) harm.”

5th Bullet (Step 5): Project Approval, Final Negotiations & Start of Project Implementation – This is just the final set of steps that are required to make a project “effective” in terms of receiving financial and technical assistance from an MDB or donor. Once a project “passes” all the due diligence screens of the funding entity, it is then presented to that institution’s governing board for its consideration, adjustment or amendment, and approval or rejection. If it is approved with “conditions,” then these must be met and the final legal and financial agreements are negotiated between the project proponent and lender/grantee until a final agreement is reached. This normally takes 3-6 months, but can last for years in some unusual cases. Then, a date is set by when the project becomes “effective” and funds are transferred, staff are hired and project activities commence, data on baseline conditions should start to be collected and entered into project management information systems (MIS) as part of monitoring and evaluation (M&E), and the project “clock starts ticking” in terms of the length of the project and when certain milestones are expected to be met.



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Step 1: Economic and Financial Analysis

- Project beneficiaries: how many? Who are “winners” and “losers”?
- Cost-Benefit Analysis:
 - Which costs are easy to address with CBA? Which ones are more difficult?
 - Same questions for benefits – which ones are easy to quantify, or difficult?
- Cost-Effectiveness Analysis
 - Are some options comparatively more cost-effective than others?
 - CEA is more commonly used in AF/GCF projects
- Risks & Uncertainties in using CBA and CEA

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Economic and Financial Analysis: Process of properly specifying and justifying the assumptions [concerning costs, benefits, etc.] underlying financial and economic analysis, particularly benefits with and without the projects.

Cost-benefit analysis is used to assess the desirability of a climate impact intervention by weighing the expected costs against the expected benefits. Costs might include the direct and indirect costs of constructing and maintaining a dike or the direct costs of relocating a community. Benefits, such as reduction of hazard-related losses are also computed. CBA usually involves converting benefits and costs into monetary units and then converting future streams of expected costs and benefits into a present value using a discount rate.

Cost effective analysis is used to compare two or more climate adaptation actions in terms of their relative effectiveness per unit of cost or some other measure. Relative effectiveness might involve comparing interventions in terms of the number of people or households made relatively safer from climate hazards per \$1000 in direct expenditures.

Risks and Uncertainties of analysis: Optimism Bias: projected costs of proposed project

are usually overly conservative and the expected long term benefits are oftentimes overly optimistic. Analysis doesn't always reflect possibility of cost over-runs, implementation delays, etc. **Optimism bias** can be reduced by using **sensitivity analysis** to examine how net present values, costs or other outcomes vary as individual assumptions or variables are changed. Sensitivity analysis can test the robustness of the analysis as well as allowing for optimism bias and uncertainty about future net present values.



Step 2: Technical and Managerial Feasibility

- Have a range of “reasonable” alternatives been considered and rejected on the basis of sound analysis, including the option of a “no project” alternative?
- What adjustments are necessary to the usual engineering standards in order to take into account future climate risks?
- Have technical mitigation measures been identified that are sufficient to manage identified climate-related risks?
- Is there adequate local capacity to implement the project?
- Other relevant considerations or issues you can think of?

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Note to Facilitator: Conduct an open discussion on the various aspects of technical feasibility that need to be considered as part of the appraisal process (as well as any additional considerations they develop).

1st Bullet on consideration of full range of “reasonable” alternatives: This is a very common practice conducted by most, if not all, donors and MDBs. The terms “reasonable” and “based on sound analysis” are of course subjective terms, but they have been defined as generally conforming to prevailing international standards or norms. The comparison of all “reasonable” alternatives must include the “no project” or “without project” option. This issue is partially addressed in the Senegal example in the next slide.

2nd Bullet on “adjustments” required to account for “new normal” CC threats and impacts: This bullet simply asks whether the project proponent has adequately taken into account some of the different weather patterns and impacts that might be expected (as well as the various kinds and severity of impacts based on the full range of CC scenarios for the area in which the project is proposed). We will discuss the Senegal example in the next slide to contextualize this concept.

3rd Bullet on the adequacy of risk-mitigating counter-measures to expected threats and impacts: although this is usually handled as a separate analysis in most MDB project proposals now, it can be considered as an integral part of the technical and managerial feasibility analysis that a donor or lender typically uses. The question is addressed for the Senegal case study in the next slide as well.

4th Bullet on the adequacy of local capacity: Again, this is now typically handled as a separate analysis in most MDB or donor due diligence reviews due to its importance in the ultimate success or failure of many projects, it can be considered as part of the technical or managerial feasibility of a given project. In the case of the Senegal Stormwater Mgm't Project, this whole issue was handled under the heading of "Institutional Context and Implementation Arrangements" as is done in all WB-supported projects nowadays.

5th Bullet on "other considerations: Are there any other issues or concerns that you would consider appropriate or relevant to consider when assessing the technical feasibility of a project or the managerial capacity of the recipient and implementing agencies to successfully implement it? Discuss with the group.



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Step 3: Financial Management (FM), Disbursement, and Procurement Systems

- Need for credible, transparent and accountable FM systems
- FM controls for handling expenditures, procurement of goods, works & services, and disbursements of project funds
- Internal & external auditing procedures
- FM capacity strengthening activities and supervision
- Coding and tracking CCAR expenditures / investments

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Note to Facilitator: Fiduciary Principles and Financial Management Systems. A fiduciary is a legal or ethical relationship of trust between two or more parties. In this case, we are talking about legal relationships with specified roles, rights and obligations or commitments secured by counter signed contracts.

1st Bullet: Towns and cities are going to have to develop or have **credible, transparent and accountable** Financial Management (FM) systems in place to have a reasonable expectation of receiving funds from international donors or lenders. The exact definition of what "credible, transparent and accountable" FM systems look like is fairly complex and should not be delved into too deeply here. Some examples and ideas will be given in the next slide via the case study of the Senegal Stormwater Mgm't Project.

2nd Bullet: There are various aspects or elements of a FM system involving the handling of: (i) **expenditures** of project funds; (ii) the **procurement** of goods, works and services; and (iii) **disbursement** of project funds. These will be explained in the next slide with the Senegal case study.

3rd Bullet: Most, if not all, donors or lenders will require assurances that the “books” are being kept properly according to their own policies and procedures. This can be best achieved through the use of internal auditors or accountants, as well as through the use of external, independent auditors typically provided for and paid by the donor or lender.

4th Bullet: Many times, a donor or lender will provide some level of technical support if they assess weaknesses in the recipient’s FM controls or systems. That is not always the case, but it is in many instances and varies from case-to-case.

5th Bullet: Both recipient countries and donors/lenders are trying to do a better job of identifying and tracking CCA expenditures through special budget codes for such activities. For recipient governments, it helps them get credit for taking actions to protect their populations, land and assets to the impacts of CC while for donors and lenders, better coding and tracking of CCA activities allows them to show their level of commitment and contribution to helping developing countries adapt to the impacts of CC.



Step 4: Environmental and Social Safeguards

- The financier reviews relevant documentation that has been prepared depending on the financiers requirements

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There's not much here because we talked about this topic extensively in module 4.



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Step 5: Final Steps in Due Diligence Process and brief summary of Implementation

- Once a proposed project is appraised and approved by the lending agency's governing board, then negotiations over the final legal and loan or grant agreements take place.
- Once agreements are signed, the project becomes "effective." Funds are disbursed and project activities can commence
- Recipient implements the project while lender supervises and ensures compliance with applicable rules and regulations
- Projects can be "restructured" and extended by mutual consent during implementation phase with Bank approval
- Project closes, accounts are reconciled & project is evaluated

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Note to Facilitator: These are generic steps in the process of approving (with or without "conditions") a proposed project and moving it into the Implementation Phase of the Project Cycle. Refer to slide #6 (Project Cycle) of this Module. One of the most difficult parts of the process is compiling all of the foregoing information into a project document, using the format specified by the funding source or donor. Multiple drafts may be needed with extensive internal and external review before submittal. However, in many instances, the donor or lending institution will provide technical assistance in the preparation of concept notes or full-blown project proposals, such as the World Bank's "Preparation Advances" under its "Project Preparation Facility (PPF)."

1st Bullet: Approval and Final Negotiations with Client – fairly self-explanatory. Once the PAD in the case of the World Bank and this Senegal project, then final negotiations over any part of the project or financial assistance package occurs. This normally takes 3 – 6 months, but can drag out for months or even years in some extenuating circumstances, and culminates in the signature by the recipient and counter-signature by the lender (WB in this case).

2nd Bullet: Project Effectiveness – this is the date upon which the project can officially begin, although in actual practice, many activities may have already started or been

planned, including getting baseline data, hiring staff, and setting up project management information tracking systems like the FM or M&E systems. It usually occurs within a few weeks or months of the signature of all relevant legal and financial agreements.

3rd Bullet: Implementation by Client, Supervision by Lender – *the client implements the project; the lender is supposed to supervise it to ensure compliance with applicable legal requirements and obligations by the client and to assist the client in any way to implement the project. There is **always** meant to be a **clear** distinction and definition of the client's and the lender's roles and responsibilities.*

4th Bullet: Project Restructuring and Extensions – *during implementation, funds can be shuffled around within or between various project components or activities, indicator targets can be changed, and even PDOs can be altered (although this requires Board approval for WB projects). This is called "restructuring." Projects can also be extended in time to achieve their objectives. All these changes must be done formally with the required request made by an authorized agent of the recipient Gov't and approval by an authorized agent for the lending institution.*

5th Bullet: Project Closure – *when a project "closes" officially, any undisbursed loan balances are cancelled meaning that the lender cannot accept any more withdrawal requests from the client, but expenditures that have been previously authorized can still be made during a 4-month grace period. Finally, within six (6) months of closing, the World Bank (not true for all lenders) conducts a self-evaluation of the performance of the project in accordance with its established format for Implementation Completion Reports (ICRs), which is then "validated" by the Independent Evaluation Group of the World Bank. This process varies by institution, but the World Bank is commonly seen as having the "gold standard" in terms of fully implementing the Project Cycle as designed.*