

IMPROVING TRANSPORT PROJECT APPRAISALS IN THE ISLAMIC COUNTRIES



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Transport and Communications
Working Group

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Improving Transport Project Appraisals in the Islamic Countries - Process

Project focus: desk research, survey and case studies

Desk research: provides the input for developing a framework for appraisal of transport projects, based on international best practices.

Survey: the survey was sent out to 62 contact persons of 38 different OIC Member States. Twelve countries responded.

Case studies: six (6) case studies on transport project appraisals have been carried out:

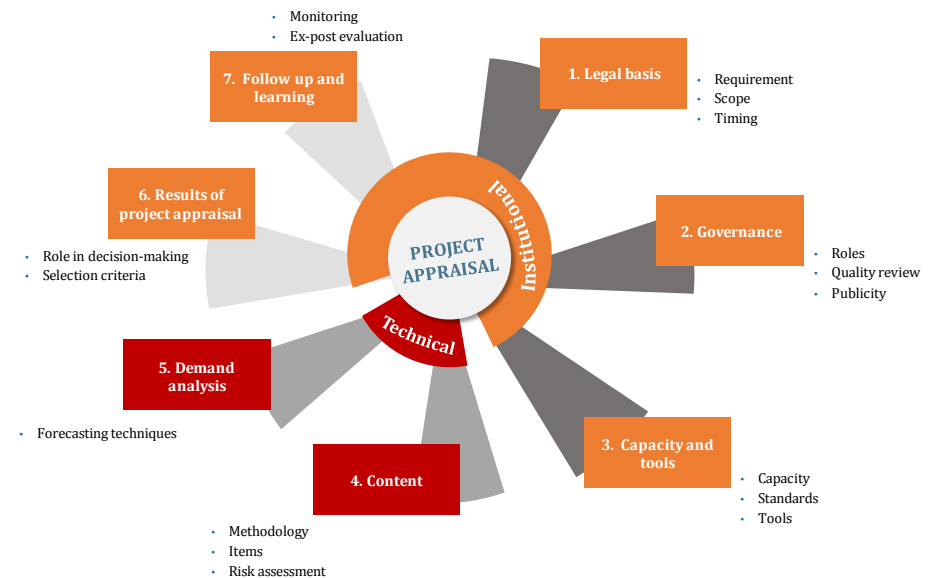
- With field visit: Iran, Jordan, Nigeria
- Only case study: Afghanistan, Mozambique, Saudi Arabia

Improving Transport Project Appraisals in the Islamic Countries – Process

Conceptual framework

- A **conceptual framework** for project appraisal in the transport sector has been developed, based on the World Bank (WB) framework for assessing Public Investment Management.
- The framework is based on a **number of institutional and technical aspects**, in total seven, influencing project appraisal practices in the transport sector (figure 11.1).

Figure 11.1 Conceptual framework with seven project appraisal aspects



Lessons learned case studies

Case study: Afghanistan

Lessons learned

Although there have been capacity and financial constraints, projects have been thoroughly **screened and prioritised** in the **updated transport master plan**.

It is recommended to:

- Establish a **enabling legal** and **institutional framework**.
- Apply the **master plan** in which projects have been screened and prioritised, to enhance collaboration with international partners
- Cooperate closely with development organisations and private partners to address **capacity** issues

Case study: Iran - 1

Lessons learned

The Iranian transport project appraisal system is well-developed. Good practices are: **systematically performing** projects appraisal and making use of general **guidelines issued** at central government level, **certified consultants**; the **quality review system** and finally (some sort of) **monitoring** and **follow-up** activities.

Case study: Iran - 2

Despite a well-developed appraisal system, it is recommended to:

- **Screen the different practices** currently in place
- Develop a **common system** of transport project appraisal, detailing the principles, procedures, methodologies and a set of reference parameters (e.g. the discount rates, the thresholds for IRR) for all agencies in charge of appraisal
- The use of CBA should be expanded beyond the focus on financial aspects, introducing a larger emphasis on **socioeconomic aspects** (regardless how a project is financed)
- **Stakeholder consultation** practices should be enhanced
- The role of **ex-post evaluation** should be increased

Case study: Jordan

Lessons learned

The **transport sector strategy** (LTNTS) provides an excellent basis for developing the transport sector in Jordan, by **selecting an optimal scenario with clear priorities at project and policy level**, for implementation in the form of an **action plan**. In addition, a **PPP Law** is present that describes the technical requirements that must be presented for any PPP project.

Our recommendations are to:

- Take full benefit of the **transport strategy** and its **pipeline of projects**.
- Make use of the **PPP Unit** in matching supply and demand.
- Create a **transport project appraisal manual**.
- Build further **appraisal capacity** in the transport sector.

Case study: Mozambique

Lessons learned

Mozambique plays an important geo-strategic role for the neighbouring landlocked countries.

Mozambique has been cooperating with development partners such as African Development Bank and World Bank to develop their transport sector.

It is recommended to:

- Execute transport project appraisals along the **entire project design cycle**.
- Establish **legal requirement** for transport project appraisals
- Create **national guidelines** for transport project appraisals as in many projects a reference is made to *UK's WebTag* guidelines and the *JICA guidelines*.

Case study: Nigeria

Lessons learned

The **Road Sector Development Team (RSDT)**, supported through a number of IFIs, functions as a **knowledge centre** in the road sector, providing a sound methodological basis for project appraisal, including HDM-4, and contributing to building capacity in the sector in project appraisal.

Also, the **EGRP focus lab** is developed to **fast-track private sector investments** in the transport sector.

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- It is recommended to:
- **Broaden the scope (or application)** of transport project appraisals
- Further **develop the capacity** in transport project appraisal
- Create **standards** and a **harmonised approach**
- Apply and use a project appraisal as part of a **full project cycle**

Case study: Saudi Arabia - 1

Lessons learned

- Transport project appraisal is not grounded on a legal obligation, but rather left to the **initiative of individual planning authorities**.
- Developments with regard to **standardisation of methodologies** are expected in the future, as a result of a study currently planned by the Public Transport Authority on the subject of cost-benefit analysis, cost-risk analysis and wider economic benefits.
- Practices of **knowledge transfer** from consultants to public officials are in place.

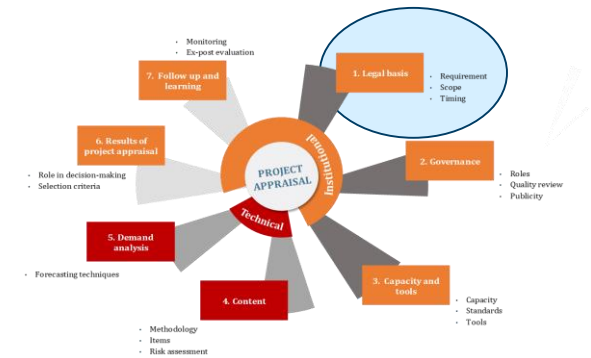
Case study: Saudi Arabia - 2

Recommendations:

- **Clearer legal obligations** on the scope, content and methodologies should be envisaged.
- Carry out a **review of approaches** that are currently adopted across transport modes
- Clear responsibilities should be identified for the **quality review** of project appraisals
- Emphasize the **socio-economic dimension** of project effects.
- Ensure the availability of updated data for forecasting (i.e. a **transportation statistics system**)

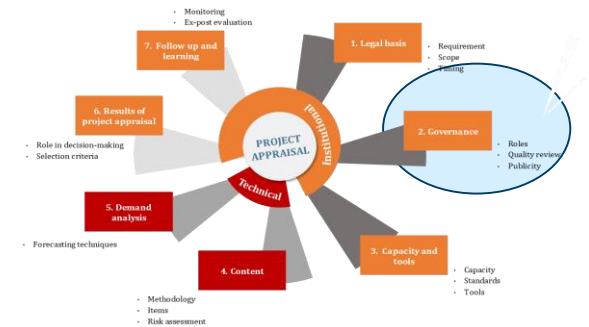
Conclusions

Conclusions – appraisal in OIC Member Countries – (1) legal basis



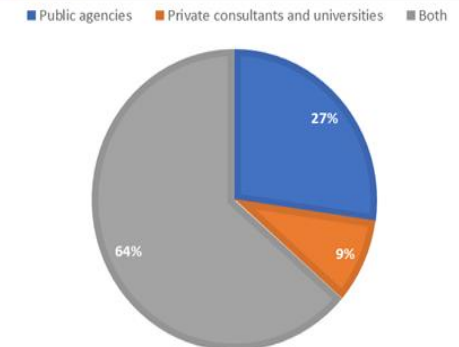
- Although in many cases there may **not be a specific law**, which requires project appraisal to be carried out, often **some kind of legislation** is in place that (indirectly) calls for project appraisal to be implemented as a pre-condition for funding. For example: procurement Law or PPP Law.
- Despite the lack of a specific legal provision, **project appraisal is often mainstreamed in the development of new transport projects** in OIC countries.
- Whereas the need to carry out project appraisal is often in place, a **description of how to carry out project implementation is mostly lacking.**

Conclusions – appraisal in OIC Member Countries – (2) governance

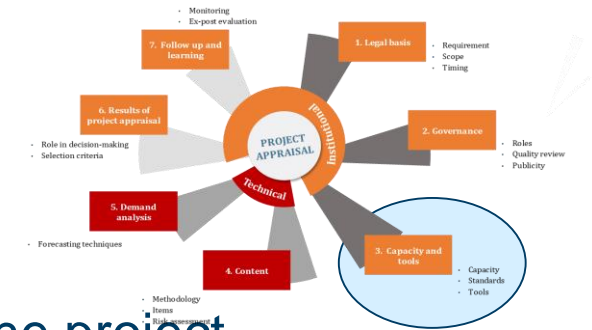


- A combination of **public and private sector representatives** are involved in transport project appraisals: the public sector manages the appraisal process and, in most cases, contracts private consultants for providing supporting inputs, such as demand studies and feasibility studies.
- In most OIC member countries, such as Jordan and Nigeria, a broad range of **stakeholders** is involved, often mobilised early in the process to identify project needs.
- The **development partners and IFIs** form an important part of the institutional landscape.

Responsible parties for preparing transport project appraisals

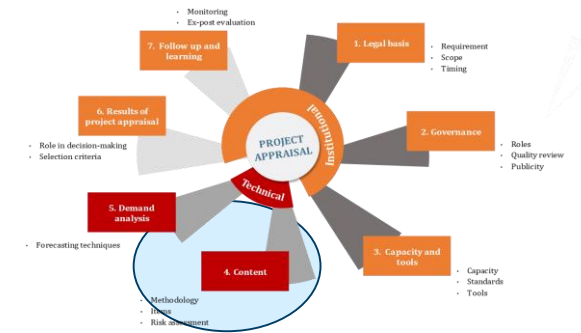


Conclusions – appraisal in OIC Member Countries – (3) capacity and tools



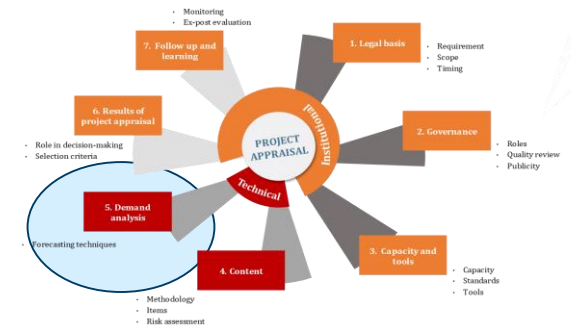
- All countries have organised themselves to manage the project appraisal process, often relying on relevant **lead institutions**, such as Ministries of Transport, or mode-oriented agencies or authorities, which are part of these ministries.
- **Training** on project appraisal does not take place at a large scale. This finding is supported by a result from the survey, where 67% of the respondents pointed out that training programmes to build capacity in the country are not available.
- **Guidelines**, if any, mostly focus on rather general process steps to apply in project appraisal. Specific guidelines or *manuals* on how to carry out project appraisal is mostly lacking.

Conclusions – appraisal in OIC Member Countries – (4) content



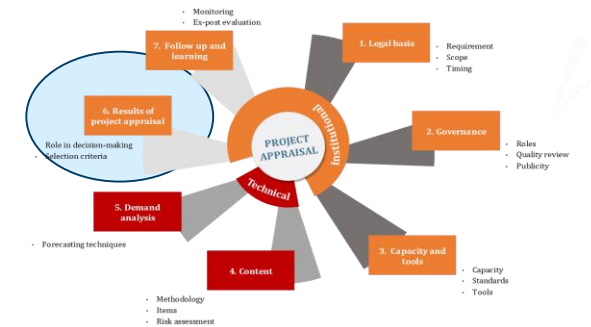
- **Cost-benefit analysis (CBA)** is mentioned in most of the cases as the reference methodology for project appraisal, although other types of analyses, such as **multi-criteria analysis (MCA)** and **cost effectiveness analysis (CEA)** are also applied.
- Variation is shown on the methodology and approach per project, since a clear **methodological framework** is often lacking.
- The **costs and benefits** included in project appraisal are mostly clearly structured.

Conclusions – appraisal in OIC Member Countries – (5) demand analysis



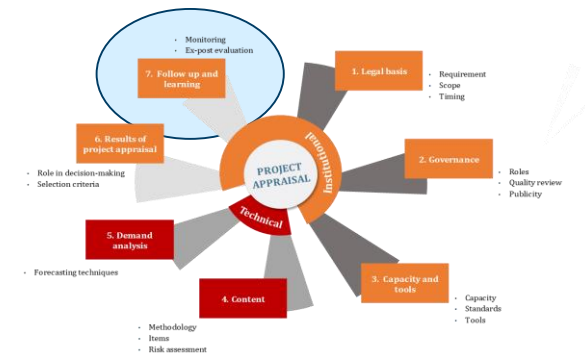
- The assessment of **future traffic flows** is part of the project appraisals reviewed. This assessment is in many cases **outsourced** to a private sector consultant, often as part of a broader support package, including the **feasibility study**.
- **Transport models** are more often run in the frame of masterplan or strategy development to select among different options rather than for individual projects.

Conclusions – appraisal in OIC Member Countries – (6) results of appraisal



- Project appraisal is in the vast majority of cases used for **justification of a transport infrastructure project**
- Results are expressed in **Net Present Value (NPV)** or **Internal Rate of Return (IRR)**, when a CBA is the methodology
- MCA is used to **prioritise** projects and to develop an action plan.

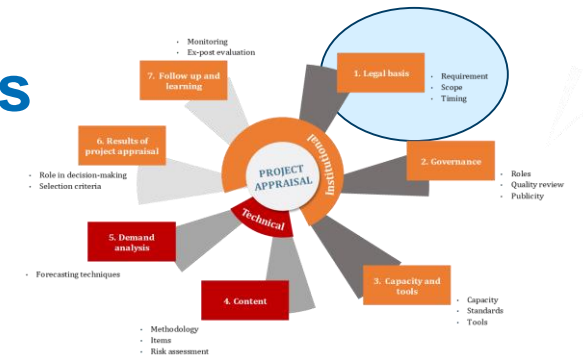
Conclusions – appraisal in OIC Member Countries – (7) follow-up and learning



- **Monitoring** of project implementation is taking place in most cases.
- However, **ex-post evaluation** is often not carried out. Half of the respondents to the survey indicated that ex-post evaluation of projects is not carried out.
- In most cases, there is no clear **project cycle approach**, which links subsequent steps (identification, selection, appraisal, design, tendering and contracting, implementation, monitoring and evaluation).

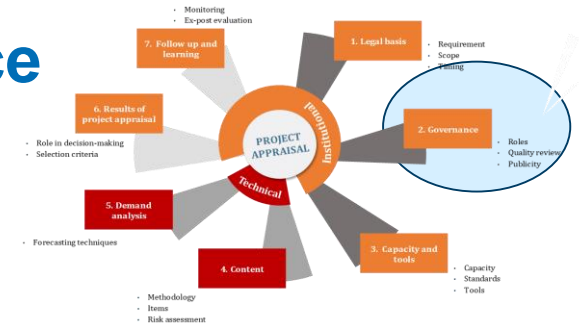
General recommendations

General recommendations – (1) legal basis



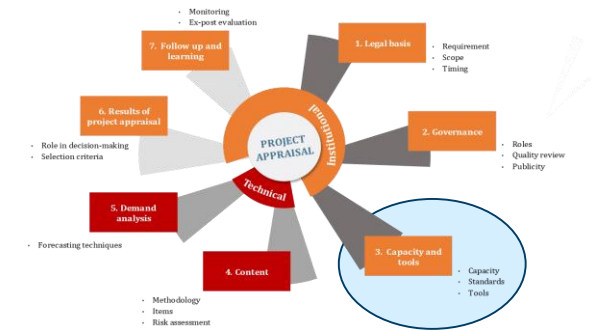
- Develop a clear **framework** for project appraisal, indicating for what type of projects appraisal is needed and when appraisal is needed.
- The legal framework should refer also to **general guidance** on how project appraisal is to be carried out, the main principles and methodological references.

General recommendations – (2) governance



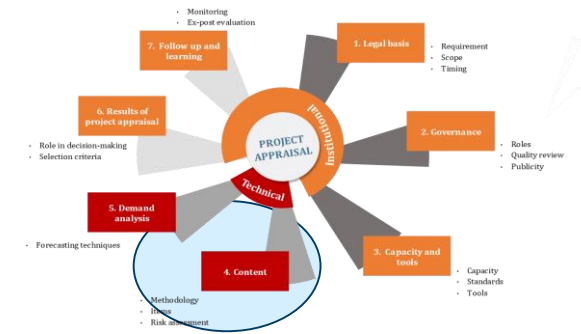
- The governance structure should be established, with **clear roles and responsibilities** for all stakeholders involved and for all the programme and project phases.
- In case of **outsourcing** of project appraisal to the private sector, sufficient capacity should be with the public sector authorities to manage the process and check the **quality of the work**.
- Appropriate measures for **stakeholders consultation** and involvement should be put in place.

General recommendations – (3) capacity and tools



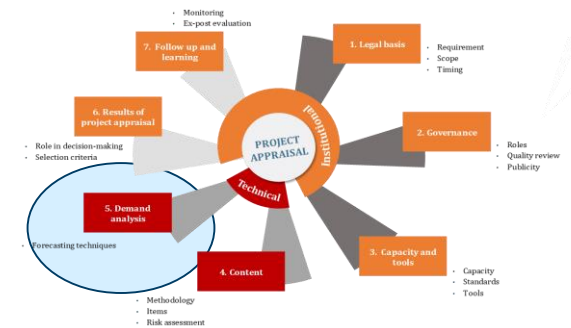
- **Capacity building activities** should be developed on a structural basis to capacitate the public and private sector in carrying out project appraisals.
- The development of **operational manuals** are recommended to guide the project appraisal process.
- Also recommended is to bundle knowledge and experience in **expertise centres**.

General recommendations – (4) content



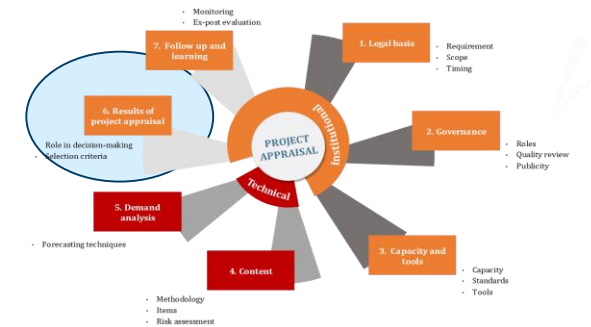
- The **items** to be included in the appraisal must be specified in order to create a more harmonised approach.
- The **methodological basis** should be firmly established and specified for each of the content items and where possible laid in **manuals**.
- **Risk assessment** should be integrated in the project appraisal process, including identification of main risks; description of preventive and mitigating measures; and **sensitivity analysis** on the key parameters of the project appraisal.

General recommendations – (5) demand analysis



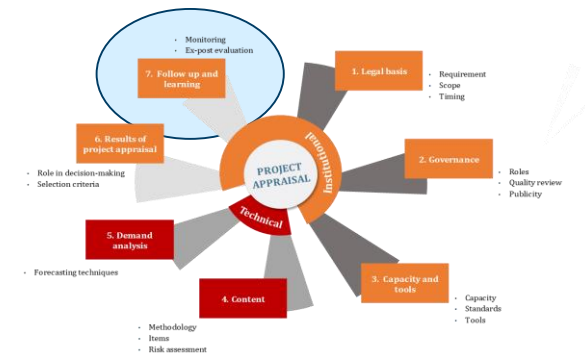
- Traffic projections, as **key carriers** of the project's benefits, should be well developed.
- The use of **transport models** should be encouraged, contributing to the quality of the traffic projections.

General recommendations – (6) results of appraisal



- The use of project results should be clearly established and results of the appraisal should be **shared with the stakeholders** involved.
- As far as possible project appraisal reports must be **made available to the general public** as accountability measure. Derogation can be defined for politically or economically/financially sensitive data or information.

General recommendations – (7) follow-up and learning



- Project appraisal should be seen from a **project cycle perspective** (and not in isolation).
- Implementation should be **monitored and evaluated**. Lessons learned from this should be incorporated in next project appraisals

Specific recommendations

Recommendation 1: develop a systematic framework to transport project appraisal

- The recommended transport project appraisal framework must indicate:
 - **Types of project appraisal**;
 - **Objective of the appraisal** and how the appraisal is expected to inform the **decision-making process**;
 - **Type of analysis** (CBA, MCA, CEA) with specific references;
 - **Detail level** that is used (a simple analysis or a tailor-made analysis).
- One of the main aims of project appraisal should be to demonstrate the **social desirability** of the project. **CBA** (economic evaluation) is considered the preferred methodology.

What and why?

Recommendation 2: creating project appraisal manuals, resulting in standards and a harmonised approach

- **Clear guidelines** should be provided on how to carry out project appraisal by developing mode specific appraisal manuals.
- These manuals should provide clear guidance on how project appraisal is to be carried out, including:
 - A description of the **appraisal process**.
 - Methodological standards**, i.e. costs and benefits to be included, etc.
 - Standard input parameters**, i.e. project duration, discount rate, values of time, etc.

How?

Recommendation 3: use of appraisal and applying project appraisal as part of a full project cycle

- It could be considered to broaden the use of appraisal process to **prioritise** projects that yield the best results.
- In order to improve the quality of the appraisals it recommended to:
 - Collect the **project data** and make the data **available** for **monitoring purposes**.
 - Monitor** the implementation and operation of the project.
 - Carry out **ex-post evaluation** of a project.

When?

Recommendation 4: improve project appraisals capacity through a system of official certification of competences, exchange of experience, training programs, seminars, conferences and workshops etc.

- Developing and implementing **training programs, seminars, conferences and workshops** for public officials and private sector representatives.
- Encourage a system of **official certification of competences**.
- Consolidating project appraisal knowledge and experience in **expertise centres**.
- Encourage and facilitate **exchange of good practices** in project appraisal.

Thank you!

