

project planning and management series

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The Project Planning and Management Series consists of a set of manuals and associated modules presenting practical approaches; tools and techniques for project planning and management. (See list on back cover). A product of the Government of Jamaica/USAID National Planning Project (1976-1980), the series was developed by the Project Development Resource Team (PDRT) of PAMCO for use in "action-training" workshops and reflects extensive experience in training and project development. All present PDRT members are contributing authors and have worked together in writing, revising and publishing the series. Special credits are due to Dr. Merlyn Kettering for design and development of the series; Dr. Bruce Brooks for writing final versions of many modules; Mrs. Marjorie Humphreys for assuming primary editing and production responsibility and for organizing draft papers into more useful materials; Mr. Lascelles Dixon, head of PDRT since 1979, for designing the cover and improving many of the illustrations; and Mrs. Christine Hinds and Miss Linette Johnson for typing the drafts and final manuscripts. Any comments on the series and its usefulness are welcome.

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MODULE 16

PROJECT AREA ANALYSIS

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A. PREREQUISITES:

References: MODULE 26 - Social Analysis (SEE SURVEYS)

B. DISCUSSION:

Every developing economy has a number of serious social, cultural and resource constraints and at the same time possesses particular opportunities for development as a result of these same factors. The constraints may be powerful and traditionally entrenched, and the opportunities may be less obvious and apparently limited. It is critical in the development of projects that the constraints and opportunities be recognised and related to the specific project being planned.

Every project must be capable of making a positive contribution to the socio-economic conditions of the nation. This is the basis for justifying the allocation of scarce resources for project implementation. Therefore, the project area analysis must be introduced as a critical aspect of project formulation. A sound diagnosis of the nation's economic, institutional, and cultural aspects or characteristics provides a background for sound project development. This information, for most projects, has already been assembled, and the task of project planners is to abstract the information relevant to the project.

The detailed examination of available data and information, carried out when making a Project Area Analysis, will permit the planners to single out the constraints and opportunities which will influence project performance. They can then take steps during the planning stages to consider them in the project proposal.

The formulation of specific projects must be made with the understanding of their potential contributions to the future growth of the economy. Often, projects will be identified because of the contribution to rapid development, but it is also important to understand the project's contribution and role in its larger setting and the impact of the larger setting on the specific project. This approach will result in the development of projects that are much more viable and productive.

C. PURPOSE:

The primary reason for an analysis of the project area for a specific project is to identify and understand the interactions of critical constraints and opportunities in the project area which will have an impact

upon the successful implementation of a project. The success or failure of the project may primarily depend upon the adequacy and the quality of the physical and human resources of the area embraced by the project.

D. USES:

The project area analysis is used to evaluate a project in relation to others that could be funded. It gives the project selection group information about the interactions, critical constraints, and opportunities in a project area which will have an impact on the success of a project.

E. OUTPUT:

The output of the Project Area Analysis is a part of the project document called the pre-feasibility or feasibility studies which describes the base from which the project starts, including the existing state of development in the project area. The analysis should be brief, but present all relevant data including supportive surveys that establish the suitability and compatibility of the physical and human resources needed to implement the project successfully.

F. STEPS FOR ANALYSING THE PROJECT AREA:

Collect sector and country background information, including information on:

- (1)
 - a) resources;
 - b) infrastructure;
 - c) institutions and policies; and
 - d) technical skills.
- (2) Identify the project constraints and opportunities revealed in relation to each of the four categories.
- (3) Relate the constraints and the opportunities likely to affect the proposed project to the priority needs of the sector and country. Evaluate the constraints and the opportunities that exist and decide whether the project should be undertaken.

Background information will be provided by reports, studies, statistical data, etc. A complete review should be made of relevant documents and a summary prepared.

Project constraints and opportunities may be identified by holding discussions with a wide cross-section of the people who may be involved in planning and by carrying out surveys of the communities where the project will be implemented. Surveys can also provide more up-to-date data for the modification of existing information.

An Example of Project Area Analysis, using the Three Step Process on an Agricultural Production Project.¹

- STEP 1. Review the available information, including sector, area and national data, that reveal the constraints and the opportunities which indicate potential failure or success of a proposed project. The kinds of area information that are reviewed are illustrated below. (1)
- (a) Resource constraints: These include the physical limitations on agricultural production, such as the shortage of good arable land, soil deficiency, inadequate rainfall, lack of irrigation water at critical periods and shortage of labour at peak seasons. The analysis will also show if there is or is not a scarcity of investment funds available for agricultural development, especially in the public sector. The most important resource constraints may often be the shortages of foreign exchange and skilled labour. Any government policies related to the amelioration of these two critical factors should be studied in depth.
 - (b) Infrastructure constraints: These will include the limitation and defects in the existing productive facilities, e.g., water structures, farm buildings, storage facilities, workshops, transport facilities (main and feeder roads, railways, waterways) power, and facilities related to marketing and processing.
 - (c) Institutional and policy constraints: These will include the possible defects in the agrarian setting such as land tenure, tenancy conditions and land fragmentation and the lack of receptivity of farmers to various proposed technological and organizational changes and improvements. The constraints on demand arising from large disparities in income distribution will also be highlighted. Also important is the consideration of possible shortcomings in existing agricultural policies, government services (extension, credit and other technical services), lack of government agency inter-departmental co-ordination, weaknesses in farm organization policy and practices and the managerial ability of producers in relation to the proposed project.
- (1) The information given are area constraints on the successful implementation of the proposed project. The analysis should also note the opportunities and strengths in the area.

- (d) **Technical constraints:** These include a variety of technical constraints affecting farm production practices and productivity, e.g., soil erosion, salinity, ineffective production practices and land-use patterns, inability to organize and conduct applied research, lack of disease control practices, etc.

STEP 2. While reviewing the available information, make lists of the constraints and the opportunities that give strength to or weaken the anticipated outcome of the project in relation to each of the analytical categories, i.e., resources, infrastructure, institutional and policy, and technical. The suggested format for accomplishing this task is shown in ILLUSTRATION 1

Steps to follow in filling out the format are set out below.

- (1) Using the lists developed above, list in each of the four categories, i.e., Resources, Infrastructure, etc., all the kinds of information that you believe will affect the project. (SEE ILLUSTRATION 1, p.16.6. This suggested format is only an example and will need to be expanded.)
- (2) Enter short comments on what the review of available information shows in relation to each of the kinds of information listed in Column 1.
- (3) Check whether the information shows that the factor listed in Column 1 is a constraint or an opportunity in relation to the project.

STEP 3. As well as identifying the project area constraints and opportunities, it is important that the planners view these in the context of the priority sectoral and country needs. To do this the planners must decide whether the proposed project area can meet the priority needs.

This portion of the analysis consists of knowledgeable answers to a number of questions about which the project planners have collected information and reinforced their knowledge with the analysis of constraints and opportunities completed in STEP 2.

A list of the kinds of project area questions that are closely related to the analysis of the suitability of a project area for a particular project are shown below.

These questions require informed answers. They are only sample questions, and may not be applicable to all projects. These are applicable only to projects related to the production of specific products or specific services.

1. Can commodities or services that are in good demand and/or short supply be produced by this project and this area?
2. Are there resources in the area that can be changed or altered that will permit increased productivity?
3. Is this an area where the application of certain technical measures will have a maximum effect on the output in a short period of time?
4. Is this an area where production can be increased by improved use of inputs along with existing capital and labour?
5. Will the application of various institutional and policy changes in this area give good results in terms of increased production and desirable social development?
6. Is income sufficiently low in the area and unemployment sufficiently high to accommodate this kind of project?
7. Will the kind of products resulting from this project result in an increase in foreign exchange earnings and a decline in the use of foreign exchange?
8. Does the project area have potential for the development of other related development projects of which this project will be a part?
9. Are the people in the project area supportive of the project?
10. Are there any cultural, social, or political problems in the project area that will inhibit the development of this project?
11. Are the resources that are used from the local area sufficient over the long term to permit growth of the project?

These are only examples of project area analysis questions that should be asked, and answered affirmatively. Some of the answers may be obtained only by using a survey of the area or questioning a representative sample of the people in the area.

The identification and understanding of the constraints and opportunities in the project area need not be a strenuous and time-consuming task, but it should not be neglected. It is of critical importance to successful project development. As a project moves through the development stages, constant attention must be given to the opportunities and constraints which operate in the project area.

1** FAO, *General Guidelines to the Analysis of Agricultural Production Projects*, Rome, FAO., 1971. (pages 13-14).

Early PDRT working papers relevant to this topic include "Understanding the Project Area", M. Kettering, 1977.

ILLUSTRATION 1.

Example of a format for Identifying Project Area Constraints
and Opportunities for a proposed Agricultural Project

KINDS OF INFORMATION	SUMMARY OF INFORMATION Comment (From Information Review)	EVALUATION OF INFORMATION			
		Constraints		Opportunities	
		Yes	No	Yes	No
A. RESOURCES					
1. Arable land					
2. Soils					
3. Irrigation water etc.					
B. INFRASTRUCTURE					
1. Water Storage Structures					
2. Farm buildings, etc.					
C. INSTITUTIONAL & POLICY					
1. Land tenure					
2. Tenancy etc.					
D. TECHNICAL					
1. Erosion					
2. Salinity etc.					

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MANUAL - I Planning for Project Implementation
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2. The Logical Framework
3. Work Breakdown Structure
4. Activity Description Sheets
5. Project Organization
6. Linear Responsibility Charts
7. Project Scheduling - Bar Charts
8. Bar Charting for Project Control/Scheduling
9. Project Scheduling - Network Analysis
10. Milestones Description Charts
11. Resource Planning & Budgeting
12. The Role of PAMCO
13. Project Technology Analysis
14. Demand Analysis
15. Market Strategy Analysis
16. Project Area Analysis
17. Project Costs & Benefits
18. Project Profile
19. Financial Analysis
20. Cash Flow Analysis
21. Discounting
22. Net Present Worth Analysis
23. Cost-Benefit Analysis
24. Benefit-Cost Ratio Analysis
25. Internal Rate of Return
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27. Economic Analysis of Projects (including Border Pricing)
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32. Project Institutional Environmental Analysis
33. Ecological Analysis for Projects
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42. Evaluating & Forecasting Project Progress & Performance
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45. Organizing and Conducting Conference Meetings
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