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# International Requirements for Project Preparation: Aids or Obstacles to Development Planning?

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Summary

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Identification and preparation of economic and social development projects has been, over the past quarter of a century, a critical problem for developing countries. Problems of disaggregating national plans into well-prepared investment proposals continue to obstruct the progress of development in the Third World. International assistance agencies, attempting to overcome deficiencies in planning and administrative capacity in less developed nations, have taken an expanded and more direct role in project preparation and analysis and have formulated a complex set of procedures and requirements for project planning, preparation and feasibility analysis.

The analytical requirements have become so complex, however, that application is beyond the administrative capabilities of most developing nations, thus intensifying their dependence on foreign experts and consultants for project planning. Foreign standards and procedures are imposed on governments, often without sensitivity to local needs and constraints. This study, drawing on internal evaluation reports of three major international assistance agencies, reviews the requirements and procedures of project preparation, examines difficulties in their application, and recommends the evaluation of alternative and more simplified procedures for preparing development projects.

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Translating national development plans into operational programs and investment projects is one of the most critical and difficult tasks facing planners and administrators in developing countries. No matter how comprehensive or sophisticated, plans are of dubious value unless broad policy objectives can be

transformed into programs of action and projects can be implemented. Yet the record of developing nations over the past two decades of transforming plans into investment projects has been poor, and a spate of studies attests to continuing difficulties<sup>1</sup>

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Problems arise in part from the inability of planners to communicate concisely the investment implications of long-range plans and policies to national ministries, provincial and local governments, autonomous agencies, parastatal institutions, and private firms with investment resources. But more often, and more seriously, national development plans simply do not specify projects required for implementation.

Most plans state objectives in that vague and amorphous language calculated to gain consensus in

the abstract without providing a specific implementation strategy that might generate conflict and opposition. They often lack cost estimates and resource allocation proposals, fail to disaggregate macro-economic targets through intermediate sectoral programs and regional plans, and neglect to recommend projects for funding in the annual and capital budgets. The overwhelming obstacle to better implementation in most countries, however, is that national planning remains divorced from project identification, preparation, and selection.

The difficulties of activating national development plans through well-prepared economic and social investment projects have appeared repeatedly during the past few years in evaluation reports by international funding institutions, bilateral aid agencies, and development scholars. Waterston (1971, p. 240) notes that "there is generally a scarcity of well-prepared projects ready to go and it is hard to find coherent programs for basic economic and social sectors. The lack of projects reduces the number of productive investment opportunities."

The World Bank (1972) found in its attempts to provide greater assistance for public facilities projects that the inability of developing nations to prepare proposals adequately was one of the greatest obstacles to increased investment. The United Nations Economic Commission for Africa (1969, p. 662), summarizing problems plaguing most of the developing world, noted that "in many countries essential pieces of development cannot be carried out at the time when they are required, not solely because of financial shortages, but because the projects themselves have not been technically prepared."

These findings are echoed in assessments by government agencies in developing nations. A recent analysis by the government of Ghana concisely summarizes the problem. "Most planners in Ghana today accept the fact," notes the Ministry of Economic Affairs (1971, p. 662) "that the slow progress or even the outright failure of Ghana's national development plans has been caused, not so much by inherent weaknesses in the formulation of previous development plans, but rather by the failure of the plans to identify feasible projects for development." Analysis of fifteen years of development planning in Iraq (Jalal 1972, p. 124) concluded that "the funds available for investment always exceeded the amounts required for the execution of existing feasible and well-prepared projects." The United Nations (1969, p. 69) contends that these weaknesses of project preparation not only create bottlenecks to development but that "there are many cases where the shortage of good projects is even more serious than the shortage of capital or foreign exchange."

The magnitude of difficulties in developing nations has thrust international assistance agencies into a more

direct and vastly expanded role in project identification and preparation. Although every international assistance agency insists that the government has final responsibility for project planning, in reality developing nations have had to delegate a substantial amount of control to foreign consultants and aid officials.<sup>2</sup> The direct intervention of international agencies in project preparation is in part a response to the severe deficiencies in planning and project analysis skills in developing nations, but the "deficiencies" are, in a sense, artificially created by the complexity of international procedures.

Project preparation guidelines are designed to ensure that proposals are compatible with lending institution policies, procedures, and requirements, as such they have become instruments of control rather than of aid. As those procedures become more numerous and complex, further demands are placed on the limited planning and administration capacity of developing nations, making them more dependent on foreign expertise.

In reality application of project preparation procedures is beset with continuing difficulties. The evidence indicates that the imposition of international requirements has done little to assist developing nations to activate development plans and may in fact have aggravated the problem of preparing relevant and appropriate investment proposals.

## Process of project preparation

The operational manuals and policy papers of major international assistance organizations—the World Bank, the United Nations Development Program and associated executing agencies within the United Nations Development System, and the United States Agency for International Development—prescribe a complex set of requirements for preparing and analyzing development projects.

Project formulation and preparation is preceded by identification of an idea for investment, either through formal or informal processes. In most developing countries, proposals emerge through unguided entrepreneurial investment, from the operating programs of government ministries, or through mixed systems of private investment in government-sponsored ventures. Projects are also conceived informally and spontaneously through interaction among assistance agency personnel, government officials, and private investors, or arise from external pressures, emergencies, or crises, from the political commitments of national leaders, or in response to priorities of foreign governments and international funding agencies (Rondinelli 1976).

Regardless of their source, once development needs have been identified and translated into investment proposals, international assistance agencies require

projects to be prepared in sufficient detail to test their feasibility using a complex set of financial, economic, social, technical, environmental, and administrative criteria. Immediate and long-range development objectives must be clearly described, the preconditions for a project's success must be determined and their existence, or the potential for their creation, assessed. Desired results and requisite resources must be defined and related to basic project design issues—size, location, availability of markets, technology, and other inputs, and administrative arrangements for project execution.

Further, government agencies and program offices must be contacted to establish the relationship of the project to national, sectoral, and regional plans. Prefeasibility studies must determine if experimental, demonstration, or pilot components are required prior to proposal of full-scale operations. Once resources are tentatively identified and defined, the proposal must be prepared in greater detail for review by funding agencies, supporting groups, higher level government ministries, potential beneficiaries, and its feasibility determined by professional analysts. A composite of international requirements is depicted in Figure 1.

### **Elements of project preparation**

International assistance agencies require that project preparation, in its most elaborate forms, include a series of increasingly detailed studies: reconnaissance investigations, preinvestment analyses, prospectus formulation, and formal feasibility analyses.

#### **Preliminary reconnaissance investigations**

The objectives of a reconnaissance investigation are to determine whether a project proposal has sufficient merit to be included in national investment plans and budgets, and, if it is deemed meritorious, to decide on its priority in comparison with other proposals (United Nations 1972). Reconnaissance is often performed by the parent organization of the proposing agency or by a central planning commission and consists of a review to establish that the idea falls within general development plans and policies.

#### **Preinvestment studies**

Preinvestment or prefeasibility studies sometimes include preliminary reconnaissance but generally serve three other purposes: to determine the most appropriate means of defining an initial proposal in relation to social and economic development needs, to gather supporting data to justify the proposal once the government has decided on its merit, and to collect information required for preparing a prospectus and in conducting a formal feasibility analysis. The

United Nations suggests that preinvestment studies also identify potential bottlenecks, deficiencies, and preconditions for successful execution and recommend policy and administration reforms required to operate the project effectively (Taylor 1970, Ewing 1974).

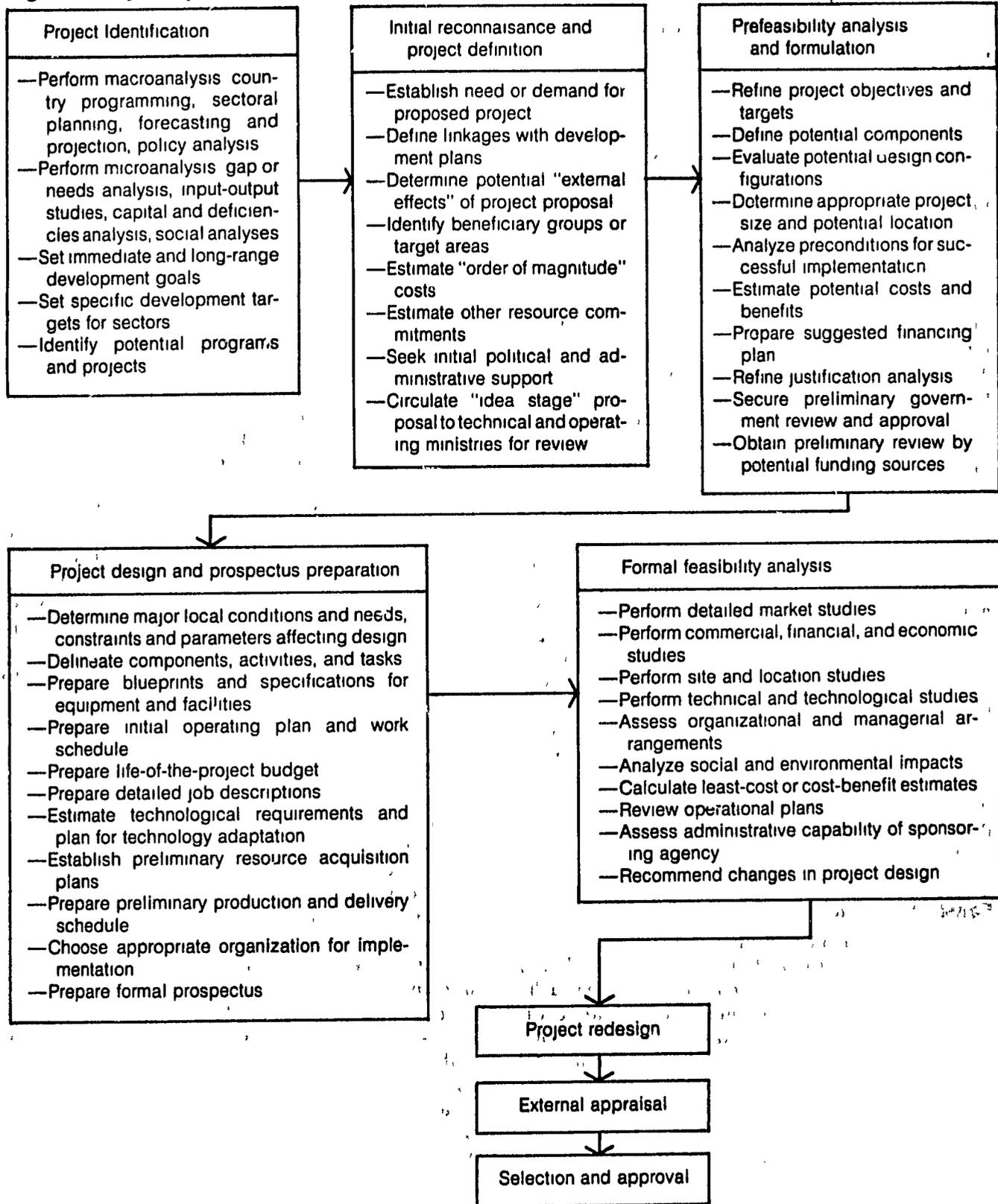
As noted earlier, international assistance agencies are taking increased interest in this aspect of development administration in order to generate a larger quantity of what they consider to be feasible and well-prepared projects. The World Bank, through its cooperative program, has preinvestment study agreements with the Food and Agriculture Organization of the U N (FAO) on agriculture and nutrition projects, U N Educational, Scientific, and Cultural Organization (UNESCO) on education and population projects, U N Industrial Development Organization (UNIDO) on industrial projects, World Health Organization (WHO) on health and water supply activities; and UNDP on transportation studies. The bank in some cases prepares, and in others approves, the specifications and plans of operations for United Nations studies. It merely reviews the preinvestment studies of other organizations and then initiates its own follow-up investigations (Rondinelli 1976).

UNDP preinvestment studies, depending on the form of the request and the scope of the problem, may be general investigations of sectoral or national development needs that suggest general areas for investment, or means of defining already identified ideas to meet those needs. In other cases, the UNDP requires detailed data for specific proposals. In the prefeasibility assessment of potential agricultural projects, for instance, information must be provided on the volume and value of expected incremental production based on existing prices, on markets for commodities and storage, transport, processing and distribution facilities, on price and cost incentives to producers, processors, and distributors, and on likely overall costs and benefits.

Similarly, for potential housing projects, UNDP requires information on the housing market, including housing requirements, effective demand and annual supply, distribution of income and propensity to save, current housing costs and prospects for public subsidies, on available financing for housing, on capital requirements of housing finance institutions, on housing policy and subsidies, both open and disguised, available to different income groups, and on estimated benefits and costs (UNDP 1973).

USAID requires from its field missions a project review paper (PRP) for each proposal, which serves as a preinvestment analysis by providing a description of how the project relates to USAID's assistance priorities and the country's national and sectoral development objectives, an indication of major beneficiaries of the project and key social and economic factors

**Figure 1. Major requirements for development project preparation**



that are pertinent to the proposed project such as cultural feasibility and appropriateness of available technology, and preliminary information on the activities of other multilateral and bilateral donors in the general sector. Studies or analyses required to

develop the project and preliminary estimates of costs and time of implementation with estimates of financial resources required from AID and the national government, must also be identified (USAID 1974). The information gathered through preinvestment studies

should provide the base for formulating a more detailed prospectus

### **Prospectus preparation**

Once a decision is made to pursue a project idea, at least through the feasibility analysis stage, the concept must be refined and formulated into a preliminary proposal for review and assessment by potential participants and by financial backers. The prospectus sets out the idea formally and provides information essential for feasibility testing.

Contents of a prospectus vary widely and are determined, as are other components of preparation, by requirements of the planning ministry or other government body charged with review of project proposals, and by regulations of external funding agencies. Knowing that assistance organizations give preference to projects with high priority in government development plans that have seemingly survived a rigorous initial evaluation, governments in developing nations adopt stringent formal procedures for prospectus preparation.

Korea, for instance, requires all industrial and commercial project proposals submitted to the government to follow a uniform format that describes the project, estimates demand and supply for goods to be produced, provides a production schedule by year, and identifies intermediate inputs of domestic and foreign goods and services. In addition, the prospectus must contain an analysis of balance of payments effects, employment schedules for construction and operating periods, cost estimates, money flowsheets by source of funds, and preliminary analyses of value added during the project's operations (Lee 1969).

### **Feasibility studies**

The final element of project preparation seeks to establish that the proposed project in its initial design is technically possible, economically and financially sound, capable of being implemented with existing or easily expandable administrative capacity, and not adverse to social, political, or environmental conditions. Recent policies of international funding agencies require feasibility studies to go well beyond the traditional "engineering-technical" report associated with construction projects and to review alternative technical, financial, social, and administrative designs so that the project makes the maximum possible contribution to economic and social development utilizing the least resources and generating minimum negative spillover (King 1967).

Feasibility analysis must confirm that sufficient demand or need exists or can be created for project outputs and that the most effective means have been selected for producing those outputs. A good

feasibility study, according to lending agency requirements, would identify prerequisites for successful implementation and operation, suggest ways of removing critical constraints and of modifying the scope, contents, size, and location of the project to better attain national, sectoral, and regional development goals.

As international assistance agencies and governments of developing nations pursue more complex social and economic development objectives and turn to more complicated analyses to test the practicality of multicomponent, integrated, sectoral projects, analytical requirements have become both more numerous and more demanding. At least six types of analyses are required for comprehensive feasibility studies.

**Market or needs analysis.** Market analysis of industrial and commercial projects must describe and evaluate raw material markets, resource supply and price conditions, domestic and export demand for goods to be produced, as well as demand by sector, industry, and consumer market area. The United Nations (1958, pp 13-14), in its classic manual on economic development projects, suggests analysis of eight major sets of factors in determining market feasibility, including a statistical series on overall trends in production, foreign trade, and consumption; uses and specifications of the goods and services to be produced, including the volume, quantities, sizes, and standards of products needed over the life of the project, and prices and costs of production, distribution, and sales to wholesalers and end-users. It prescribes analysis of the sources and location of supply; of input importation requirements, of competitive goods and services, technical and price substitution possibilities, opportunities for obtaining advantages over competitors through innovation, and factors affecting demand fluctuations, and of economic policies directly influencing the market for project outputs, including trade and price controls, subsidies, incentives, and taxes.

For public projects producing nonmarket goods and services, such as education, health, population, and rural development, needs analysis is still more complex, yet international agencies require similar factors to be taken into consideration in estimating the "demand" for project outputs (Parnes 1962, IBRD 1972, USAID 1974).

**Technological and technical studies.** The technical or engineering analysis of a project proposal examines the physical and technological possibilities of producing goods and services at an acceptable cost in a particular location (Walsh 1971). Technical feasibility studies include analysis of physical facilities and design layout, giving particular attention to proposed capacity and production plans, production processes and production preconditions, construction require-

ments, taking into consideration itemized timetables for contract tendering, negotiations, civil works, supply of materials, and actual building requirements.

The technology of service production and distribution for social projects must also be examined in detail. In a family planning project, for instance, the World Bank recommends assessment of physical facilities—buildings, equipment, and vehicular needs for dispensing contraceptives, and for training, research, and program administration—of alternative contraceptive methods and supplies; and of the distribution channels through which contraceptives are made available to acceptors (IBRD 1972).

**Location and environmental studies.** International assistance agencies prescribe detailed analysis of both regional location factors and specific site-selection criteria. Macro- and regional-location studies concentrate on determining population and labor force size and characteristics in the area of the proposed site, concentration and distribution of related economic activities, inventory and evaluation of infrastructure, and utilities and delineation of the service area. Site studies seek to determine the physical adequacy of land on which the project will be constructed and the appropriateness of the location to the achievement of project objectives.

The most extensive additions to feasibility requirements are found in the environmental, health, and ecological impact criteria recommended by the World Bank Group. In an agricultural project, for instance, the government would determine the state of the ecosystem in the proposed location, the likely effects on land erosion, on water supplies and replenishment capacity, and on wildlife and fishery stocks. The dangers of preempting future resource options, of creating adverse microclimatic changes, of promoting air and water pollution must be examined along with the potential adversities of pesticide and chemical fertilizer use. For industrial projects, the World Bank seeks analysis of a project's potential effects on natural resources, of the site's assimilative capacity, of waste management controls, and of disposition of by-products and refuse (IBRD 1974a).

**Economic and financial studies.** International funding institutions, not surprisingly, concentrate their attention most intensively on economic and financial analysis. Development banks are especially concerned with two primary features of a project—*creditworthiness* of a borrower and *bankability* of the proposed venture. The World Bank determines creditworthiness through analysis of "country economic performance" past actions taken by national governments to influence or direct the economy in order to increase the effectiveness of resource utilization (Karmack 1970). Performance is evaluated through studies that seek to obtain a

comprehensive picture of the structure and de-

velopment prospects of the economy by assessing its agricultural, mineral, industrial, and human resources, its basic facilities such as transport and electric power, the quality of its public administration and education, its external trade and payments, its internal finances . . . the manner in which it is handling its economic affairs and the progress it is making toward achieving its economic and social development goals. This leads to judgments about a country's "creditworthiness" . . . (IBRD 1974b).

**Bankability** is assessed through financial feasibility studies, through the calculation of internal rate of return, and through an assessment of risk. Social cost-benefit calculations must be made for nonmarket projects. The United Nations (1958) manual on project preparation recommends analysis of social productivity, including the project's potential effects on the national economy, investment requirements including fixed assets, items of fixed investments, working capital, and foreign currency requirements, and financing plans, including the source of equity capital and credit, use of local and foreign currency, and availability of funds for construction and recurrent expenditure.

**Social analysis.** Developing nations are asked increasingly by assistance agencies to scrutinize at the feasibility stage the potential social impact—and the indirect spillover effects—of projects on people and cultural traditions. Again, the World Bank (IBRD 1974a) has taken the lead in introducing a wide variety of "human ecologic" considerations into evaluation of project proposals. In agricultural projects, for instance, the bank urges consideration of such factors as the environmental, health, and social problems likely to occur through changes in population density and life-style brought about by the project; the social impact on inhabitants of resettlement or relocation, and the skills and techniques required for successful adaptation to changes introduced by a project. Other organizations, such as the International Labour Office, urge consideration of the labor-generating and manpower development impacts; UNESCO prescribes assessment of the implication for promoting "social justice"; and USAID requires analysis of the role of women in development activities.

**Administrative, organizational, and managerial studies.** Finally, international assistance agencies recommend analysis of institutional and operational factors required to implement the proposed project. The United Nations (1971, p. 77) notes that "administrative dimensions of a project are generally conspicuous by their absence at the formulation stage. This is due in part to the predominance of economic and technical feasibility considerations in formulating projects and in part to the lack of ap-

preciation of the administrative dimensions."

Developing countries are advised to evaluate administrative arrangements and to explore a wide variety of managerial issues, including whether a project should be implemented by a new or an existing agency and whether a "project management structure" must be created within the implementing agency; those concerning personnel, equipment, and training requirements, and those related to overall administrative reform and expansion of administrative capacity to execute and operate the project successfully. At this stage of feasibility analysis, moreover, analysts are urged to determine the ability of government ministries, autonomous authorities, and private organizations to provide requisite resources and supporting facilities for project implementation.

### **Problems in applying International procedures**

Although prescribed procedures seem rational in the abstract, both developing nations and assistance agencies, in reality, experience recurring difficulties in applying them.<sup>3</sup> Specifically, difficulties arise from the inability of project planners to satisfy abstract and complex formulation requirements, from the apparent lack of a relationship between detailed technical and economic analysis and successful project implementation, and from the delegation of preparation functions to foreign consultants, resulting in distortion of national priorities.

Problems occur, moreover, from the insensitivity of aid officials to national political constraints, from assistance agency intervention in project formulation, and from inadequate provision of support to national planners to meet international requirements. Project preparation in many cases becomes a meaningless exercise of "padding" feasibility studies with irrelevant data because required information and analytical skills are not available, especially in the poorest developing nations.

### **Inability to meet international requirements**

Despite requirements that projects be clearly defined, for instance, evaluation reports note recurring failures of project proposals either to define explicitly immediate- and long-range development goals or to link immediate project purposes with longer-range development objectives, the failure to state objectives and targets in measurable terms that would allow meaningful feasibility testing, and the failure to identify and integrate distinct but related individual capital construction and physical infrastructure projects into larger systems or networks that would produce greater development impacts.

Nearly all of the projects in the half-dozen African and Middle Eastern countries recently evaluated by United Nations assessment teams lack plans or designs which conform to UNDP definitions of clearly stated objectives. Most proposals, the UNDP found, contain not statements of objectives but mixtures of descriptions of goals, activities, inputs, and outputs (UNDP 1969, 1970, 1972, 1973).

World Bank and USAID evaluations frequently uncover projects with designs that were unrealistic in relation to available time and resources for implementation and that inadequately specified the relationships among objectives, activities, required resources, and expected outputs. In reality, many of these "deficiencies" in preparation were ignored or justified in feasibility studies. Projects were approved, although they were designed at inappropriate scale, resulting in unplanned additions or expansions during implementation or in below-capacity operation after completion. Defective location studies, the reports contend, allowed selection of inappropriate sites for pilot and demonstration projects resulting in replicability problems. Examples abound of inaccurate or poorly designed market studies and economic analyses that led to execution of projects producing outputs for which there was no existing market or potential demand.

### **Tenuous relationships between detailed analysis and successful implementation**

The imposition of international assistance agency procedures and techniques does not necessarily solve these problems. Even in those developing nations where sophisticated macroeconomic analysis, sectoral planning, reconnaissance and preinvestment studies, and detailed programming have become part of national planning, there is often little congruence between project identification and development priorities or between intensive analysis and successful implementation.

Analyzing the effects of sophisticated planning techniques in Africa, Ben-Amor and Clairmonte (1965, p. 495) argue that "the hold of the plan on the nation's economy is often almost negligible. Some plans are no more than a framework for big projects which, save in a few exceptional cases, are export-oriented foreign enterprises." They note that "the domestic repercussions of these giant projects on the general level of employment, income, and domestic gains are insignificant."

Feasibility studies often become ends in themselves. The multivolume economic, technical, and environmental analyses and financial studies funded by the World Bank, for instance, sometimes manipulate vast amounts of unreliable data with complex statistical formulas to produce elegant testimony to the desirability—few large-scale, detailed, expensive

studies find that the proposed project is *not* feasible —of a project that most government officials could have assessed intuitively drawing on past experience and knowledge of local conditions at a fraction of the time and expense incurred by the funding institutions.

While the technical studies frequently provide helpful insights for redesign or modification of basically acceptable proposals, it is often the unquantifiable cultural and political conditions that are most important in determining overall feasibility. Investigations of the factors contributing to successful population planning projects in Asia, for instance, have found that cultural differences are paramount. Projects promoting tubal ligations are successful in Thailand, not because they are the most economical or technically effective but because any techniques that appeal to hierarchical authority patterns or to the strong role of women in family decisions have a higher probability of success, those that do not are doomed to failure (U S Congress 1973)

#### **Delegation to foreign consultants and distortion of national priorities**

Oversophisticated procedures and techniques together with scarcity of trained manpower and analytical capability often lead to delegation of preparation functions to foreign consultants. But, while foreign planners and analysts may be more technically competent, they often lack the intimate knowledge of local needs and conditions required to prepare appropriate proposals. Delegation of the design of Bangkok's urban water supply system to foreign experts, for instance, led to a project based on fallacious assumptions concerning local capabilities and constraints that directly contributed later to massive implementation problems (Vepa 1974). In other cases, projects are inappropriate to meet local needs because they fail to address problems unique to the country, instead they are prepared on the basis of preconceived or generalized notions of a problem.

It is not unusual for projects to be misdirected toward low-priority needs. Imposition of complex feasibility testing techniques on recipient governments leads to a preference for large-scale, high-technology, capital construction projects considered more likely to be worth the time, effort, manpower, funds, and frustrations that must be invested in elaborate analysis. Frequently, the delegation of project preparation functions to aid agency consultants results in projects that meet foreign technical standards but either are ineffective in solving local problems or produce perverse consequences.

In nearly all large-scale water and power projects undertaken in East Pakistan during the late 1960s and early 1970s, Thomas (1972, p. 84) contends, "the standard pattern [was to hire] aid financed foreign

consultants who designed projects according to their own and the aid donor's concept and standards of efficient design. This meant high cost and long construction periods but assured aid support for the project. This usually entailed complex technology which must be constructed in an accessible location so that foreign engineers could supervise the work." Few of the projects produced the desired impact on agricultural production or improvements in the quality of rural life envisioned in national development policy.

#### **Insensitivity to political dimensions of project selection**

The recurrence of vaguely defined proposals results in part from the very complexity of multipurpose, multicomponent, intersectoral projects promoted by international assistance agencies but more often from the dynamics of politics in developing countries, from the unwillingness, for instance, of sponsoring ministries to sacrifice political and administrative flexibility during negotiations and implementation by specifying too concisely intended purposes, activities, targets, and inputs. Most officials in developing countries know, moreover, that politically important projects will be approved despite open differences in goal perception among central planners, funding agencies, operating ministries, intended beneficiaries, and technical consultants, especially when each party has something to gain from the proposed project.

"The choice of the project itself, and the weighing of the opportunity costs of the different choices within it contain, as they must necessarily do, a large political, practical and noneconomic element," argues one experienced Middle Eastern government planner. "Projects are neither prepared nor operated in a vacuum. They represent a milieu, an interaction of interests. However well prepared a project may be from the point of view of its economic analysis, it is not likely to succeed unless it reflects adequately the practical realities within the economy" (Ahmad 1975).

#### **Assistance agency intervention in project formulation**

But when realities contradict the expectations of rational analysis, it is often the realities that are dismissed by national planners and foreign aid analysts. Where government agreement with international assistance agency priorities or bureaucratic support for central planning agency proposals are not forthcoming, the funding institution or planning commission may simply propose and promote a project without involving high government officials or relevant operating ministries. Later, during execution, the

ministries usually modify the projects to suit their own purposes and constraints.

Audits of USAID projects in East Africa, for instance, note that USAID mission officials often simply took over project preparation without the participation of government planners (USAID 1973a). For this reason, in Afghanistan, project proposals and feasibility analysis, as USAID's auditor general reports, "reflect chronic overoptimism in progress expected and obtained." Evaluations found that "the Mission tends, in planning and evaluating projects, to overestimate RGA's [Royal Government of Afghanistan] willingness and capacity to perform. Mission planning has resulted in projects for which unrealistic goals, purposes, outputs and RGA inputs are set in excess of those which could be met." The government, not averse to accepting funds for projects that it cannot implement, later reinforces the donor's inflated expectations. "The RGA has come to know what kinds of promises USAID/Afghanistan will expect," the auditor general notes, "and makes adjustments not to reality but to the Mission's expectations" (USAID 1973b).

#### **Inadequate assistance agency support for implementation of procedures**

Limited administrative capacity within international funding institutions themselves, moreover, inhibits providing adequate support for more effective project preparation. The limited staff time available within aid agency headquarters leads to a preference for large projects in developing countries with better project preparation capabilities or with access to technical consultants, than for smaller projects in poorer countries with limited preparation capabilities. Excessive turnover and rotation of field representatives of assistance agencies inhibit them from establishing informal contacts, and relationships and intimate knowledge of a country that could result in the identification of better projects with less detailed and formal assessment of their potential for success.

In other cases, inadequate preparation time is allowed because of pressures to include a project in current assistance agency programs or investment schedules. Delays and problems in feasibility analysis, prospectus preparation, and project approval often result from the failure of assistance agency field personnel themselves to follow headquarters procedures for proposal processing. Montgomery and Schwarz (1974) found, in their evaluation of project managers in USAID field missions, for instance, that many misunderstood, disagreed with, or failed to comprehend manual orders for project processing and either ignored or modified them to fit their own perceptions of local needs and constraints.

#### **Lack of necessary data and analytical skills**

Sophisticated, complex, and time-consuming procedures and techniques for project preparation and feasibility analysis simply cannot work in many developing nations, especially in the poorest that are most urgently in need of expanded investment. In nearly all developing countries, administrative capacity is limited, trained manpower scarce, and pressures for expeditious decisions strong. Even when preparation functions are assumed by foreign consultants, application of complex techniques is hindered by lack of reliable data and accurate information.

In Brazil, one of the most modern of developing countries, a USAID analysis of the educational sector found that much of the information needed for project preparation and feasibility analysis simply did not exist. The data collected were of poor quality, not comparable, and rarely suitable for the analytical techniques required for "rational" decision making. "Equally important, however," the mission noted, "is the fact that much data already available is poorly utilized as there is not effective communication and coordination between data collectors and users, especially at the state level, or adequate training among educational planners and managers as to the effective use and importance of this kind of information" (USAID 1970).

#### **'Padding' feasibility studies to obtain loan approval and delays in project implementation**

At best overly complex requirements lead to voluminous documentation with irrelevant data—window dressing to impress agencies with attempts to apply their prescribed techniques. At worst it fosters deceit, encouraging officials to "pad" feasibility studies with erroneous or fictitious information to satisfy impossible requirements. The consequences can be perverse. Studying the operation of the Special Rural Development Program (SRDP) in Kenya, Chambers and Belshaw (1973, p. 83) note effects of overanalysis in project preparation that are found repeatedly in evaluations of planning in other countries. "There is sometimes an ironical inverse relation between the intelligence, knowledge and perceptiveness of the data collection designer on the one hand and the chances of the data ever being used on the other," they argue. In Kenya, "the demands they made actually delayed the SRDP. . . . Indeed, it was largely the drive on the government side to get on with some plans, however imperfect, which saved the SRDP from premature data-bound paralysis which has consigned many other similar studies and plans to an early oblivion."

International assistance agencies may, in fact, be imposing analytical requirements on developing na-

tions that cannot be met even in modern, developed countries. The experience with environmental impact study requirements for new projects and programs in the United States suggests that local governments and private firms face the same difficulties attempting to meet federal requirements with which developing nations must cope in order to satisfy international procedures for project preparation. Legal, technical, and economic requirements that demand information that does not exist and that cannot be generated by project sponsors, lead to similar consequences in advanced nations as those in developing countries. unnecessary delays in project implementation and the "padding" of feasibility studies to obtain approval (Bleicher 1975, Conn 1975).

### **Exploring alternative approaches**

The experience of developing nations with project planning over the past quarter century yields three major conclusions. First, developing countries encounter a variety of serious difficulties in attempting to translate national plans and policies into operational programs and investment projects, thus slowing the pace of social and economic development and inhibiting the mobilization of national resources for productive use. Many problems are attributable to their deficiencies in planning skills, but others are the result of overly sophisticated and largely unworkable international requirements and the lack of effective and operational national procedures and techniques for project identification and preparation.

Second, those projects that are generated have rarely been prepared and analyzed in the systematic, exhaustive, and detailed manner prescribed by international funding institutions. The increasing complexity of international procedures has not only created requirements that are beyond the administrative capacity of most developing nations but has forced many of them to delegate essential investment planning functions to aid agency officials and foreign consultants. Finally, despite the massive investment by international assistance agencies of time, effort, and money into formulation of detailed project preparation and feasibility analysis requirements, the creation of practical, appropriate, country-specific procedures for project identification, preparation, design, and analysis remains a critical need.

The magnitude and seriousness of problems encountered in attempts to apply international procedures require that alternative approaches to national planning and project preparation be tested and evaluated. The primary objectives of those alternatives, clearly, should be to build the capacity of governments in developing countries to establish their own processes for identifying projects that meet national development priorities and to plan, prepare,

and analyze proposals without external interference and with a minimum of reliance on outside experts. Technical assistance will undoubtedly be needed. The aim, however, should be to expand internal capacity to the point of self-sufficiency rather than continuing to promote an imperious rationality that maintains dependence.

Changes are needed in the policies and procedures of both the international assistance agencies and the governments of developing nations. They should aim at making national planning more project-oriented, at integrating planning and investment decision making, and at expanding administrative capacity and trained manpower to undertake nationally designed project identification and preparation functions. These changes must be accompanied by the simplification of the project preparation requirements of international assistance agencies.

Little contention remains among planning theorists and development practitioners that national plans must be more closely linked to programs of action and that they must delineate specific development policies, programs, and projects in order to guide resource allocation and investment. The problem remains one of balancing the lending agencies' concern for protecting their investment by assuring that proposed projects are economically and technically sound with the concern of developing nations for activating development plans and projects with a minimum of delay, using criteria relevant to national goals and procedures tailored to national administrative capacity.

A variety of experiments, many undertaken in reaction to the past failures of national planning, are underway to improve project identification and preparation in developing countries. Many governments are exploring alternatives to international procedures: some are trying intermediate sectoral programming and short-term or annual planning, others are testing the effectiveness of "rolling plans" and of decision analysis without plans. Some have created their own project identification units in order to free themselves from dependence on foreign consultants. Others have decentralized project identification and preparation responsibility to regional and provincial governments in order to obtain the participation of local officials in assessing project ideas. Still others have established special planning offices within operating ministries or project preparation teams to provide internal technical assistance to decision-making units throughout the government structure (Rondinelli 1976).

### **Creating indigenous capacity for project analysis**

Many of the problems arising from the incongruity between planning and investment decision making,

from the imposition of overly sophisticated analytical techniques, and from the delegation of preparation functions to external consultants can be overcome by creating or expanding administrative capacity for designing indigenous project analysis systems. The Inter-American Development Bank (IDB) has recently placed increasing emphasis on this aspect of technical and financial assistance, helping establish national preinvestment funds to expand indigenous capacity for generating and assessing potential investment ideas.

IDB promotes the creation of preinvestment analysis units within national planning agencies and ministries responsible for investment. It provides help in creating private firms and in training indigenous consultants for the more technical aspects of feasibility analysis. A number of countries in Latin America, such as Paraguay, have created national projects offices, to reconcile macro- and microplanning through identification of projects that are consistent with national development goals and priorities. The project offices not only identify potential investment opportunities but assist ministries with the government's own prospectus preparation procedures and promotes the projects with private sector organizations and the national development bank.

#### **Decentralization of project identification and preparation**

Experiments are underway in other developing nations to test decentralized procedures for project identification and preparation. In Ethiopia planning units within the operating ministries have been given responsibility for identifying and preparing projects based on guidelines formulated by the central Ministry of Planning and Development. The ministry planning units search for new investment projects for public and private financing in their sectors and review project proposals identified by provincial representatives. The projects are compiled as part of the ministry's annual recommendations to the central planning agency.

The decentralized planning units prepare a list of recommended development projects for the following fiscal year together with preliminary plans for financing each project and a description of the role of each project in national and sectoral development strategy. Annual plans are used in countries such as Korea and Thailand not only to measure performance gaps between planned investment targets and actual achievements but also to reallocate financial, physical, and human resources to those programs and projects that can contribute most effectively to the realization of planned objectives. Elsewhere, annual planning is becoming a more important instrument for identifying, appraising, select-

ing, and assigning priorities to development projects during the year and in effect takes on many of the functions of a capital budget.

#### **Establishment of special identification and preparation units**

Still other countries are attempting to improve their own project preparation procedures by assigning identification and prospectus formulation responsibilities to organizations specifically designed or designated for the purpose. Senegal and Lebanon, for instance, have created within each regional jurisdiction a multidisciplinary professional team to make intensive surveys of resources and needs and to identify potential projects. The permanent teams, attached to district capital governments, use questionnaires and data sheets prepared by the planning ministry. A special department was established within the Ministry of Planning to compile information from team surveys on conditions in various sectors within their regions from which potential projects are scheduled for appraisal. The teams receive operating directives from the planning ministry and from regional "strategy boards" composed of regional administrators, representatives of the Ministry of Planning, and representatives of operating ministries.

#### **Combining project planning and implementation responsibilities**

Other nations have assigned project identification responsibilities to regional development authorities. Sector development centers were established in the Development Planning Authority for the Aswan Region in the United Arab Republic (Egypt) in the 1960s. Each center, responsible for a specific sector of the regional economy, collects data, surveys resources and needs, and identifies projects for preparation. A strategy board, composed of two staff members of the authority and two representatives of the ministry, is accountable for providing staff and resources for project implementation. The authority is also responsible for executing the projects that it identifies, thereby joining planning with implementation and fostering a sense of pragmatism and realism in analysis and selection of project proposals.

In brief, international assistance organizations—either because of a strong belief in the efficacy of Western concepts of rational planning applied universally or because of their desire to minimize risk and protect their investments by controlling the design and content of project proposals—have created a set of analytical requirements that are beyond their own capacity and that of developing nations to implement. Serious questions can be raised as to whether these requirements aid or obstruct development planning. Their own evaluation reports

indicate that the procedures of international agencies are not only ineffective, but often perverse.

Yet few of the recent experiments undertaken by developing nations to identify and prepare projects for internal funding have been evaluated in detail. Nor have they been seriously assessed as potential alternatives to current international procedures or for

replication in other developing nations. But it is these and similar attempts to create and test their own procedures that can improve the relevance and utility of project analysis and that can begin to overcome the serious problems that developing nations face in activating development plans designed to promote social and economic change.

## Notes

1. See, for instance, United Nations, Economic Committee for Latin America (1967), United Nations, Economic Committee for Asia and the Far East (1967), A. Waterston (1965), G. W. Wynia (1972), and N. Caiden and A. Wildavsky (1974)
2. "Although in theory it may be that the Government should bear the responsibility for preparation of the project document," the United Nations Development Program (UNDP 1973, p. 1) admits, "in actual practice it is frequently the Resident Representative or the Executing Agency which does the preparation." One World Bank official argues that "experience has demonstrated that we do not get enough good projects to appraise unless we are involved intimately in their identification and preparation" (Baum 1970, p. 6)
3. Requirements for and problems of project preparation were identified initially from two major sources. First, interviews were conducted with fifty-three officials—high level administrators, loan and financial officers, project staff, policy and program officers, and geographical division chiefs—in the World Bank, USAID, and the United Nations Development Program. A second source of empirical observation was a content analysis of primary internal documents of the three organizations. A selected set of nearly seventy-five field and staff reports, audits, supervision reports, evaluation and appraisal documents were reviewed. Because the documents were classified for internal use only and because of confidentiality agreements with each organization concerning use of the documents, titles cannot be listed. Insights were also derived from access to file documents, which because of confidentiality agreements also cannot be cited.

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