GOVERNMENT OF MIZORAM
FINANCE DEPARTMENT

NOTIFICATION

Dated 23rd June, 2011

No.G.11023/39/2009-FMC: Consequent upon the launching of the Asian Development Bank's funded Mizoram Public Resources Management Program which aims at, *inter alia*, rationalization of the management of public expenditure for achieving fiscal consolidation and freeing up resources in order to re-direct them to priority sectors, it is expedient to have the institution of a system of project appraisal reports for all new projects and project performance evaluation for existing projects and institutionalization of a system of linking them with fund allocation for achieving the stated objectives;

2. And whereas the Final Aide-Memoire of the Asian Development Bank Inception Mission for Mizoram Public Resource Management Program envisages the institutionalization of project appraisal system as one of the non-negotiable parts of the Program;

3. Now, therefore, the Governor of Mizoram is pleased to publish the Project Appraisal Manual as enclosed in the Annex.

4. Further, the Governor of Mizoram is pleased to order that:

i. This Project Appraisal Manual should be used for appraisal of all new projects and project performance evaluation of the existing projects by all the Departments of the Government of Mizoram.

ii. All the Administrative Departments shall ensure that their new projects are appraised and approved as per the provisions of this Manual.

iii. All the Administrative Departments shall ensure that revised estimates for their existing projects are appraised and approved as per the provisions of this Manual.

iv. All the concerned sanctioning authorities shall not entertain proposals for allocation of fund or expenditure sanction unless the projects are approved in accordance with the provisions of this Manual.

By Order, etc

Sd/LALTHANSANGA
Secretary to the Government
Finance Department

Memo No.G.11023/39/2009-FMC: Dated the 23rd June, 2011

Copy to:

1. Secretary to the Governor
2. PS to Chief Minister
3. PS to Speaker/ Deputy Speaker
4. PS to all Ministers/ Ministers of State/ Parliamentary Secretary
5. PPS to Chief Secretary, Government of Mizoram
6. Accountant General (Audit), Mizoram
7. All Administrative Departments
8. All the Deputy Commissioners
9. All Head of Departments.
10. Resident Commissioner, New Delhi
11. Sr LO/LO, Government of Mizoram at Kolkata/Guwahati/ Shillong/ Silchar/Mumbai/ Bangaluru
12. Secretary, MPSC
13. Chief Executive Officer, Aizawl Municipal Council
14. Executive Secretary, LADC/MADC/CADC
15. Controller, Printing & Stationeries with 6 (six) spare copies for publication in the Official Gazette.
16. Guard File

PC Lalawmpuia

(Dr P.C.LALAWMPUIA)
Under Secretary to the Government
Finance Department (FMC)

Mizoram Public Resource Management Program

PROJECT APPRAISAL MANUAL

FINACE DEPARTMENT
(Finance Commission & Monitoring Cell)
Government of Mizoram

Confidentiality Statement

This manual is intended solely for the information and use of the Government of Mizoram and ADB and should not be used, circulated, quoted or otherwise referred to for any other purpose by any institution or individual other than those not included or referred to in whole or in part in any part of the document without the prior consent of the Department of Finance, Govt. of Mizoram and/or ADB.

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GLOSSARY OF TERMS

S.NO	TERM	DEFINITION
1.	**ADB**	Asian Development Bank
2.	**MPRMP**	Mizoram Public Resource Management Program
3.	**FMU**	Fiscal Management Unit, Department of Finance, Govt. of Mizoram
4.	**PIU**	Program Implementing Units
5.	**NLCPR**	Non-Lapsable Central Pool of Resources
6.	**SPB**	State Planning Board, Govt. of Mizoram
7.	**NEC**	North Eastern Council
8.	**SFC**	Standing Finance Committee
9.	**EFC**	Expenditure Finance Committee
10.	**DoF**	Department of Finance, Govt. of Mizoram
11.	**DPR**	Detailed Project Report
12.	**PIS**	Project Implementation Schedule
13.	**CN**	Concept Note

FORWARD

The Mizoram Public Resources Management Program financed by the Asian Development Bank aims at achieving fiscal consolidation and freeing up resources in order to re-direct them to the priority sectors of focus. The objectives of the program goals were further broadened and made explicit, of course independently by the recommendations of the Thirteenth Finance Commission, which, *inter alia*, set the objectives of fiscal consolidation and faster growth. Following the recommendations of the Finance Commission, the State Government amended its Fiscal Responsibility and Budget Management Act 2006 to set a new series of targets for fiscal consolidation which include reduction of fiscal deficit as well as reduction of outstanding debt as a ratio to State's GSDP. This necessarily requires the State Government to simultaneously take the path to faster growth and fiscal reforms for long term fiscal stability. The obvious path is, therefore, to achieve the objective of not only balancing the revenue account but also generating surplus for capital investment. As remarked by the Thirteenth Finance Commission, the States should have adequate room for capital expenditure by using its revenue surplus and a deficit not exceeding 3 per cent of GSDP. Any state that has a revenue surplus along with a higher fiscal deficit should compress its capital expenditure, or alternatively, increase its surplus on the revenue account. In this circumstance, no money, not even a paisa should be wasted. Within this context, the needs for a manual or a body for project appraisal, monitoring and evaluation comes to prominence to ensure quality of expenditure for the realization of the best possible outcome. As there had been no systematic project appraisal system at the State till today, which in turn made it difficult to ensure quality of public investment, the present manual will open opportunity to ensure that the hard earned public money are spent prudently in the best possible way.

The Government of Mizoram remains grateful to Shri Surender Singh Rana, Manager, Wipro Limited (Infotech Division) for coming out with this manual within a very short period of time. It is expected that this Manual will assist all the concerned line Departments to improve outputs and outcome.

1. Broad Framework for Project Appraisal

Guidelines for Formulation, Appraisal and Approval of Plan Schemes/Projects of Government of Mizoram

Project formulation and appraisal has a major bearing on the relevance and impact of projects as well as on their timely and successful implementation. Indifferent quality of project formulation and appraisal are major factors which contribute to bottlenecks at the implementation stage and consequential time and cost over-runs. Failure to identify constraints in the availability of land, inadequate environmental impact analysis and lack of consultation with stakeholders at the time of project formulation can retard the implementation and impact of the project at a later stage. Additional time and effort spent at the project formulation and appraisal stage would be time well-spent and result in qualitative improvement in terms of ultimate project impact.

The following guidelines are prescribed for formulation and appraisal of Government funded plan schemes/projects, covering all sectors and Departments:

(i) Project Identification: Concept Note (CN): The project preparation should commence with the preparation of a Concept Note (CN) by the Administrative Dept.. The project will be considered for 'in-principle' approval by the SPB/DoF for inclusion in the State Plan based on the CN. The CN should establish whether the project is conceptually sound and feasible and enable a decision to be taken regarding inclusion in the Plan and preparation of a DPR. The CN should present a rough estimate of the project cost. Consultation with stakeholders should be held to ensure involvement of stakeholders in the project concept and design. The Financial Adviser should be involved in this exercise. The suggested structure of a CN has been presented in the Annexure.

(ii) In-Principle approval of SPB/DoF: The Administrative Department should send the CN to the SPB and DoF for 'in-principle' approval, to enable the project/scheme to be included in the annual Plan of the Department.

(iii) Preparation of DPR: The Administrative Department should prepare the DPR for the project/scheme after obtaining 'in-principle' approval of the SPB. The various stakeholders in the project should be consulted while preparing the DPR. The services of Experts/professional bodies may be hired for preparation of the DPR, if considered necessary. The DPR must address all issues related to the justification, financing and implementation of the project/scheme. The DPR should focus on analysis of the existing situation, nature and magnitude of the problems to be addressed, need and justification for the project in the context of state priorities, alternative strategies, initial environmental and social impact analysis, preliminary site investigations, stake holder commitment and risk factors. The Terms of Reference (TOR) for preparation of the DPR should cover all aspects of the generic DPR structure (please refer Annexure for suggested DPR structure). In addition, sector/project specific aspects should be incorporated in the TOR as required. The requirements of the SFC/EFC format may also be kept in view.

(iv) Inter-Departmental Consultations: The final DPR should be circulated along with draft SFC/EFC Memo (suggested structure presented in Annexure) to the SPB and DoF and any concerned Departments for seeking comments before official level appraisal. Thereafter, the SFC/EFC memo along with appraisal note/comments of the relevant Departments, SPB and DoF should be placed before EFC for consideration.

(v) Time Frame: The time frame for the appraisal of projects under the project cycle is presented in this section. A time period of 16 weeks is prescribed for appraisal of projects (excluding the time taken for preparation of DPR). Project cycle commences from submission of CN to SPB by concerned Dept.

(i)	Decision on "in principle" approval based on Concept Note	4 weeks
(ii)	Preparation of DPR by Administrative Deptt. and circulating the same alongwith draft EFC Memo.	The time limit will vary from project to project. The time limit for preparation of the DPR should be stipulated by the competent authority while according approval for preparation of the DPR.
(iii)	Comments to be offered on DPR and draft SFC/EFC memo by SPB and concerned Agencies.	4 weeks
(iv)	Preparation of final SFC/EFC Memo based on DPR and comments received, and circulating the same to SPB, Department of Finance and other concerned Agencies	2 weeks
(v)	Convening SFC/EFC meeting after receiving final SFC/EFC Memo	4 weeks
(vi)	Issue of minutes of EFC/SFC	1 week
(vii)	Submission for Approval of Minister-in-Charge and/or Council of Ministers /Cabinet	2-4 weeks

(vi) Applicability: These guidelines will apply to ALL plan schemes/projects, including social sector schemes/projects, costing Rs.5 Lakhs and above. In sectors where a number of sub-projects are taken up under a scheme, this limit will apply to the umbrella project under which the sub-projects are included.

.(vii) **Delegation of powers for project appraisal and approval**: The delegation of powers for project appraisal and approval as well as for revised cost estimates has been presented below: (Identical process for public sector projects requiring budgetary support or entailing contingent liability on Government of Mizoram: The process for seeking approval would be identical both for new public sector projects requiring budgetary support, as well as those entailing contingent liability on Government.)

Sl. No.	**Project Value Limit (in Rs. Lakhs)**	**Appraisal forum/Authority***	**Approving Authority**
1.	< 5	Department in Normal course	Principal Secretary/Secretary of Administrative Dept.
2	=5 and < 20	Standing Finance Committee (SFC)	Minister-in-Charge of Dept concerned
3	=20 and above	Expenditure Finance Committee (EFC)	Council of Ministers/ Cabinet

* Composition details of Committees defined in section 2.

2. Institutional Structure for Project Appraisal and Approval

The effectiveness of a PA mechanism depends to a great extent on the composition of the institutional structures envisaged for command and control. There will be two committees for detailed analysis and providing proper perspective for their project appraisal exercises.

Standing Finance Committee (SFC)

Every Line Department shall constitute a **Standing Finance Committee** (SFC), which will be responsible for appraising projects worth between Rs. 5 lakh to Rs. 20 lakh. Details of composition of the **Standing Finance Committee** (SFC):

1.	Principal Secretary/Secretary	Chairman
2.	Financial Advisor/ Joint Director Accounts/Deputy Director Accounts	Member
3.	Director of concerned administrative departments/divisions	Member
4.	Representative from SPB	Member
5.	Representative from DoF	Member

Expenditure Finance Committee (EFC)

There shall be **Expenditure Finance Committee** (EFC) which is responsible for appraising large projects worth Rs. 20 lakh and above. Its composition shall be:

1.	Principal Secretary/Secretary Finance	Chairman
2.	Secretary of Administrative Dept.	Member
3.	Secretary, SPB	Member
4.	Secretaries of other stakeholder depts.. as special invitees	Member/s

3. Appraisal Forum and Approval Authority

The forum for appraisal and the respective approval authorities for the same have been presented in point (vii) of Section-1 above and is re-iterated below:

Sl. No.	Project Value Limit (in Rs. Lakhs)	Appraisal forum/Authority*	Approving Authority
1.	< 5	Department in Normal course	Principal Secretary/Secretary of Administrative Dept.
2	=5 and < 20	Standing Finance Committee (SFC)	Minister-in-Charge of Dept concerned
3	=20 and above	Expenditure Finance Committee (EFC)	Council of Ministers/ Cabinet

Fresh appraisal / approval for continuation of ongoing projects from one plan period to the next:

For continuation of schemes/projects from one plan period to the next the schemes/projects falling under the following categories will require appraisal and approval -

(i) Schemes requiring modification as suggested by the SPB or as proposed by the administrative Department.

(ii) Merger of schemes with modifications in basic parameters of the constituent schemes.

For schemes not falling under the above categories, fresh consideration will not be required for continuation of the schemes provided all the following conditions are fulfilled:-

(a) No major change in the content or parameters of the scheme is proposed

(c) The projected requirement of funds for implementing the scheme over the Plan period is within the outlay approved by the SPB

(d) While approving the scheme for implementation during the plan period, the competent authority should not have specifically decided to terminate the scheme at the end of the plan.

The Financial Adviser of the concerned Department should ensure that the above conditions are met in all cases which are continued without fresh consideration. Further, Administrative Departments should ensure that before approving the continuation of the schemes as above, the schemes are subjected to rigorous scrutiny within the Department with regard to the following:

(i) Need for improvements.

(ii) Phasing of Expenditure in the next plan period for each component of the scheme.

(ii) Setting of physical and financial milestones/targets for the next plan period for each component.

4. Revised Cost Estimates and Approval Mechanism

RCE cases

(i) RCE cases arising due to change in statutory levies, exchange rate variations and price escalation within the approved project time cycle and the cases involving further cost increase upto 15% can be approved by the authority as mentioned at Section-4 above in consultation with the SPB/DoF.

(ii) RCE cases involving increase of more than 15% after excluding the increase due to change in statutory levies, exchange rate variations and price escalation within the approved project time cycle will require appraisal at the appropriate forum and approval by the competent authority as mentioned in Section-4.

Mandatory Review of Cost Estimates

Funds for projects/schemes beyond the sanctioned estimates should not be released till the revised cost estimates are considered and sanctioned by the sanctioning authority. It is, therefore, incumbent on the project authorities and the administrative Depts. to have a 'mandatory review' of the cost estimates with a view to make sure whether these would require upward revision at the stage when funds to the extent of 50 percent of the approved cost have been released. If as a result of this review the project authorities and the Administrative Department becomes aware that the cost of the project is likely to exceed the originally approved cost by more than the specified limit the revised cost estimates should be brought for consideration before the appropriate appraisal/approval authority.

Accountability Mechanism for Time and Cost Over run

A Standing Committee should be formed at the Department level headed by the Secretary/Deputy Secretary/Director of the Department concerned for continuous monitoring of cases where cost/time overruns can be foreseen.

5. Procedural Requirements for SFC/EFC

An EFC/SFC memo is to be prepared by the Department concerned as per the prescribed format in the Annexure.

EFC Memoranda to include comments of Financial Advisor/ Joint Director Accounts /Deputy Director Accounts

The administrative Depts. are to ensure that draft EFC Memorandum are circulated after incorporating the comments of the Financial Advisor/ Joint Director Accounts/Deputy Director Accounts and the response of the Administrative Department to these comments. All Departments are accordingly advised to confirm at the draft circulation stage that the concerned Financial Advisor/ Joint Director Accounts/Deputy Director Accounts have been consulted. In a situation where the comments/concerns of the FA have not been given due consideration, the concerned Financial Advisor/ Joint Director Accounts/Deputy Director Accounts may at his/her discretion, bring his/her views to the notice of Secretary (Finance).

Project Cost

The cost estimates in respect of SFC/EFC proposals should be based on reasonably reliable cost data which in any case should not be more than 6 months out of date.

The cost of the proposal will be inclusive of all components under which expenditure is required to be incurred (like revenue, capital and loans etc.). At present, the costing of the project is done at constant prices.

If the project involves dislocation of human settlements, the resettlement costs should be included fully in the project cost. The re-settlement Plan should also be indicated in the project implementation schedule. The Resettlement cost may be worked out on the following basis:-

i) The cost of land required for resettlement would be as indicated by the District/State Authorities.

ii) The compensation to be paid to the displaced persons. This compensation cost is dependent on the rates indicated by Dist./State Authorities. Thus the total compensation cost may be worked out on the basis of these rates.

Project cost to include cost of measures for mitigating adverse environmental impact. The cost of anti-pollution measures or measures for safeguarding the environment should be treated as an integral cost of all projects now being formulated. Wherever required, the Department of Environment/Forests should be consulted.

Project Viability – Submission of Appraisal Report of Financial Institutions

In the case of projects, in which institutional financing is contemplated, the appraisal report of the financial institutions should also be submitted along with the SFC/EFC proposals so that it is available before the SFC/EFC at the time of the consideration of the proposal.

Project Implementation Schedule

Every proposal should indicate in detail the Project Implementation Schedule (PIS) giving all important milestones following the approval such as various clearances, preparation of DPR, calling and approval of tenders, major construction works, procurement and installation of plant and machinery etc. It should be certified that the PIS is consistent with the projected phasing of expenditure. The PIS programme would be part of the SFC/EFC approval.

Project Implementation Team

For all major projects, a project implementation team should be established and it should be held fully responsible for project execution within the approved time and cost. The team should not have any concurrent responsibility and its continuity during the project implementation period must be ensured. The EFC memo should bring this out clearly. No project would be considered without such arrangements being clearly established.

6. Miscellaneous Considerations

Procedurefor seeking EFC approval for Externally Aided Projects / Schemes

- In-principle approval of SPB/DoF to be obtained
- State Govt, represented by DoF, to negotiate loan requirement/terms and conditions with the Department of Economic Affairs (Ministry of Finance)
- For any such project, appraisal process as detailed above in Section-4 to be rigorously followed
- All benefits/ risks, including financial risks, of availing such loans should be properly documented as part of the appraisal process

7. Annexure

a. Annexure-I: Structure/Checklist for Preparation of Concept Note

S. No.	Item Description	Checklist
i.	Stakeholder Analysis	• Have all the stakeholders to the project been identified? • Have detailed consultations with the stakeholders been carried out? • Have the roles, responsibilities of identified stakeholders been defined?
ii.	Core Objectives	• Have the Core Objectives of the project clearly defined?
iii.	Services and Service Levels	• Does the project distinctly identify all existing and proposed Services? • Does the project specify measurable service levels for each of the identified services?
iv.	Organization / Institutional Structure	• Does the project specify the existing and proposed organization structure of the State Department/Implementation Unit where the project is going to be implemented? • Have the Project Leader at the State level been identified?
v.	Legal / Regulatory Changes	• Whether any changes are required in the existing laws / GOs/ GFRs
vi.	Process Modification or Re-design	• Does the project provide a methodology for conducing Process change? • Does the project specify various activities to be undertaken as part of the modification (Re-engineering) exercise?
vii.	Financial Outlay	• Has the overall financial outlay for the project been determined?
viii.	Sources of Funding	• Have the various sources of funding been identified? • Have the estimated funds required from each of the sources been determined?
ix.	Centre and State Share	• Has the share of funding by the Centre and the States been determined?
x.	Funding from multi-lateral agency	• Has the possibility of funding the project through a multi-lateral agency such as the World Bank been explored?
xi.	Public Private Partnership	• Does the project envisage any PPP model and provide its key design features, business and financial model including the proposed cost sharing arrangement?

b. Annexure-II: Suggested structure for preparation of SFC/EFC Memo

1) Sponsoring Department

2) Statement of proposal:

(a) Name of project

(b) Whether there are schemes with overlapping objectives and coverage in other Departments? If so, the details of such schemes and the scope for integration should be furnished.

(c) Whether it is a New Proposal/Modified/Revised Cost Estimate Proposal.

(d) Reasons and justification for proposal, indicating historical background, circumstances in which the need have arisen, whether other alternatives have been considered and what detailed studies have been made in regard to the proposal for establishing its need, its economics and other relevant aspects.

(e) If it is location specific, what is the basis for selection of location?

(f) Has the proposal been included in the State Plan and what are the provisions in the State Plan and in the current annual plan? Is any modification proposed?

(g) What are the estimated social and economic benefits from the Project and what are the economic implications?

(h) In case of ongoing scheme/project, present status and benefits already accrued to the beneficiaries may also be furnished.

(i) Have other concerned Departments, SPB and DoF have been consulted and if so with what results?

(j) Whether any evaluation had been done? If so, broad findings of such evaluation study may be given.

(k) Has the proposal or its variant been gone into by any Committee, Departmental or otherwise, if so, with what result and what decisions have been taken.

3) <u>Programme Schedule :</u>

(a) Has the project/scheme been worked out and scrutinized in all its details?

(b) Whether physical and financial targets match with each other.

(c) What is the target date for completion and when will the expected benefits commence?

4) <u>Expenditure Involved :</u>

(a) What is the total expenditure (non-recurring i.e. Capital and recurring i.e. Operational)

Indicate the position year-wise and also whether any budget provision has been made and if not, how it is proposed to be arranged? Has any expenditure been incurred already?

(b) Details of the scheme of financing clearly bringing out the financial obligations undertaken by the Department with or without the proposal under consideration. If the project involves dislocation of human settlements, the resettlement costs should be included fully in the project cost. The resettlement Plan should also be indicated in the project implementation schedule. The resettlement cost may be worked out on the following basis:

i) The cost of land required to resettlement would be as indicated by the District/State Authorities;

ii) The compensation to be paid to the displaced persons. This compensation cost is dependent on the rates indicated by District/State Authorities. Thus the total compensation cost may be worked out on the basis of these rates.

(c) What is the foreign exchange component (separately for non-recurring and recurring expenditure)? What are the items of expenditure involving foreign exchange and expenditure on foreign experts? Has clearance of DoF, Govt. of Mizoram and DEA, Govt. of India been obtained and has availability of credit facilities been explored and if so, with what result?

(d) Phasing of expenditure (non-recurring and recurring) on constant prices;

(e) Reference date and basis of cost estimates of various components.

5) Reliability of Cost Estimates and other parameters:

(a) Has pre-project investigations been arrived at in detail and details of area where changes in project parameters could be anticipated?

(b) To what extent cost estimates are firmed up?

6) Operational Capabilities:

(a) Operational capability of Department/Implementing Agency/ to undertake the tasks required for the implementation of the proposal under consideration. For this purpose, track record of the Department in respect of the projects already implemented/under implementation may be highlighted and also steps proposed for ensuring timely execution of the project under consideration.

(b) In case of RCE proposals, variance analysis of cost increase due to price escalation, variation in exchange rates/custom and other statutory duties and levies, change in scope, under estimation, addition/alteration, etc. is to be given

(c) In case of continuing Social Sector Schemes of :

i) Estimate of committed liabilities at the end of previous plan;

ii) Whether this been transferred to States/non-plan head.

7) Additional Statements Showing:

i) The number of posts required and the pay scales, together with basis adopted for staffing, both in current year and future years;

ii) Expenditure on buildings and other works and its basis and phasing; and

iii) Expenditure on stores and equipment.

8) Viability:

Information is to be given if benefits accruable from the projects/schemes are qua ntifiable and can be translated in monetary term .

(a) Financial Internal Rate of Return (IRR) at constant prices;

9) Whether Nodal Officer (Chief Executive for the project) has been appointed. If yes, give details about his status, past experience in implementing such projects, number of years left for superannuation etc. What is the governance structure and monitoring mechanism for the project at state/district/block levels?

For RCE proposals:

10) Date of approval of original cost or firmed up cost.

11) Original or firmed up approved cost together with fixed cost;

12) Present cost (completion cost)

13) Earlier project completion schedule.

14) Revised project completion schedule.

15) Brief reasons for time overrun in clear terms.

16) Quantification of increase in cost on account of time overrun.

17) Present status of physical progress of the project.

18) Expenditure incurred and commitments made so far.

Whether, at the stage when funds to the extent of 50% of the approved cost were released, the mandatory review of the cost estimates was done by the project authorities and the administrative ministry

19) Whether Financial Adviser’s concurrence/comments have been obtained? If so, details thereof.

20) Supplementary Information.

21) Points on which decisions/sanctions are required.

c. **Annexure-III: Suggested Structure for Preparation of DPR**

(i) Context/Background: This section should provide a brief description of the sector/sub-sector, the state priority, strategy and policy framework as well as a brief description of the existing situation.

(ii) Problems to be addressed: This section should elaborate the problems to be addressed through the project/scheme at the local/regional/state level, as the case may be. Evidence regarding the nature and magnitude of the problems should be presented, supported by baseline data/surveys/reports. Clear evidence should be available regarding the nature and magnitude of the problems to be addressed.

(iii) Project Objectives: This section should indicate the Development Objectives proposed to be achieved, ranked in order of importance. The deliverables/ outputs for each Development Objective should be spelt out clearly. This section should also provide a general description of the project.

(iv) Target Beneficiaries: There should be clear identification of target beneficiaries. Stakeholder analysis should be undertaken, including consultation with stakeholders at the time of project formulation. Options regarding cost sharing and beneficiary participation should be explored and incorporated in the project. Impact of the project on weaker sections of society, positive or negative, should be assessed and remedial steps suggested in case of adverse impact.

(v) Project Strategy: This section should present an analysis of alternative strategies available to achieve the Development Objectives. Reasons for selecting the proposed strategy should be brought out. Involvement of NGOs should be considered. Basis for prioritization of locations should be indicated (where relevant). Options and opportunity for leveraging government funds through public-private partnership must be given priority and explored in depth.

(vi) Legal Framework: This sector should present the legal framework within which the project will be implemented and strengths and weakness of the legal framework in so far as it impacts on achievement of project objectives.

(vii) Environmental Impact Assessment: Environmental impact assessment should be undertaken, wherever required and measures identified to mitigate adverse impact, if any. Issues relating to land acquisition, diversion of forest land, rehabilitation and resettlement should be addressed in this section.

(viii) On-going Initiatives: This section should provide a description of ongoing initiatives and the manner in which duplication will be avoided and synergy created through the proposed project.

(ix) Technology issues: This section should elaborate on technology choices, if any, evaluation of options, as well as the basis for choice of technology for the proposed project.

(x) Management Arrangements: Responsibilities of different agencies for project management and implementation should be elaborated. The organization structure at various levels as well as monitoring and coordination arrangements should be spelt out.

(xi) Means of Finance and Project Budget: This section should focus on means of finance, evaluation of options, project budget, cost estimates and phasing of expenditure. Options for cost sharing and cost recovery (user charges) should be considered and built into the total project cost. Infrastructure projects may be assessed on the basis of the cost of debt finance and the tenor of debt. Options for raising funds through private sector participation should also be considered and built into the project cost.

(xii) Time frame: This section should indicate the proposed 'Zero' date for commencement and also provide a PERT/CPM chart, wherever relevant.

(xiii) Risk analysis: This section should focus on identification and assessment of project risks and how these are proposed to be mitigated. Risk analysis could include legal/contractual risks, environmental risks, revenue risks, project management risks, regulatory risks, etc.

(xiv) Evaluation: This section should focus on lessons learnt from evaluation of similar projects implemented in the past. Evaluation arrangements for the project, whether concurrent, mid-term or post-project should be spelt out. It may be noted that continuation of projects/schemes from one Plan period to another will not be permissible without an independent, in depth evaluation being undertaken.

(xv) Success Criteria: Success criteria to assess whether the Development Objectives have been achieved should be spelt out in measurable terms. Base- line data should be available against which success of the project will be assessed at the end of the project (Impact assessment). In this regard, it is essential that base- line surveys be undertaken in case of large, beneficiary-oriented projects. Success criteria for each Deliverable/Output of the project should also be specified in measurable terms to assess achievement against proximate goals.

(xvi) Financial and Economic Analysis: Financial and economic analysis of the project may be undertaken where the financial returns are quantifiable. This analysis would generally be required for investment and infrastructure projects, but may not always be feasible for social sector projects where the benefits cannot be easily quantified.

(xvii) Sustainability: Issues relating to sustainability, including stakeholder commitment, operation and maintenance of assets after project completion, and other related issues should be addressed in this section.

Note: Requirements of the SFC /EFC (as suggested in Annexure-II) may also be kept in view while preparing the DPR.