Project Appraisal: Methods and Procedures

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Eligibility
Regional development
Rational use of energy, efficiency
Environmental protection etc

Legal framework
Policies, public acceptance
Licensing, safety
Environmental compatibility
Procurement

Promoter’s standing
Management capability
Business strategy
Financial robustness
Access to loan securities

Investment cost
Local and foreign currencies
Phasing of expenditure
Margins for var. contingencies
Cost justification

Market prospects
Demand pattern
Degree of competition
Tariff level and structure
Product quality

Procurement
Techn. characteristics/procedures
Geographical location
Promoter’s experience
Co-lender’s requirements

Economic+financial viability
Cost effectiveness
Financial intern. rate of return
Economic intern. rate of return
Pay-back period etc

Time schedule
Preparat. of feasibility studies
Environmental studies
Licensing requirements
Time needed for procurement
Local conditions (climatic etc)

Technology and Design
Viability and performance
Adaptation to techn. progress
Local-specific requirements
Appropriate technical capacity
Life expectancy

Environmental compatibility
Impact analysis, mitigat. measures
Direct, indir., long-distance effects
Prevention vs. “end-of-pipe”
Compliance with intern. standards
Least-polluting technology

PROJECT
(stage of development at the time of appraisal varies)
KEY ELEMENTS FOR APPRAISAL

Eligibility
- Regional Development
- Rational use of energy, efficiency
- Environmental protection
- R&D
- etc
# KEY ELEMENTS FOR APPRAISAL

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KEY ELEMENTS FOR APPRAISAL

Promoter’s standing
- Management capability
- Business strategy
- Financial robustness
- Access to loan securities
Technology and Design

- Project Definition
- Viability and performance
- Adaptation to technical progress
- Local-specific requirements
- Appropriate technical capacity
- Life expectancy
KEY ELEMENTS FOR APPRAISAL

Time Schedule
- Preparation of feasibility studies
- Environmental studies
- Licensing requirements
- Time needed for procurement
- Local conditions (climatic, etc)
## KEY ELEMENTS FOR APPRAISAL

**Procurement**
- Techn. characteristics-procedures
- Geographical location
- Promoter’s experience
- Co-lender’s requirements
KEY ELEMENTS FOR APPRAISAL

Procurement
To follow: Guide to Procurement (Febr.2004)

- Inside EU->EU Directives
- Outside EU-> Main Mechanisms of the EU Directives
KEY ELEMENTS FOR APPRAISAL

**Investment Cost**
- Local and foreign currencies
- Phasing of expenditure
- Margins for var. contingencies
- Cost justification
KEY ELEMENTS FOR APPRAISAL

Environmental and Social Compatibility

- Impact analysis, mitigation measures
- Direct, indirect, long-distance effects
- Prevention vs. « end-of-pipe »
- Compliance with international standards
- Least-polluting technology
KEY ELEMENTS FOR APPRAISAL

Market prospects
- Demand pattern
- Degree of competition
- Tariff level and structure
- Product quality
KEY ELEMENTS FOR APPRAISAL

- Economic+Financial Viability
  - Cost effectiveness
  - Financial internal rate of return
  - Economic internal rate of return
  - Pay-back period, etc
Special Issues in Project Preparation, Appraisal, Implementation and Completion
Special Issues in Project Appraisal, Making Technical Expertise Available

- During project preparation
  - Feasibility Studies-ToR
  - Feasibility Studies-Comments
  - Financial Engineering
  - Environmental and Social Aspects
Special Issues in Project Appraisal, Making Technical Expertise Available

- **During Appraisal**
  - Review of Project Design
  - Phasing of Project Implementation
  - Supervision Mechanisms
  - Optimize Finance Plans
  - Optimize Procurement Strategies
  - Review of profitability aspects and tariffs
Special Issues in Project Appraisal, Making Technical Expertise Available

○ During Implementation
  ● Establishment of Project Implementation Units; involvement of Consultants
  ● Review of Procurement Procedures and Evaluation Process
  ● Identification of Implementation Difficulties and Remedial Measures
Special Issues in Project Appraisal, Making Technical Expertise Available

- Project Completion
  - Project Review with Promoter
  - Establishment of Lessons Learnt
  - Identification of Follow-up projects
Special Issues in Project Appraisal, Making Technical Expertise Available

- Under certain circumstances the EIB could participate in providing technical assistance
Special Issues in Project Appraisal, Making Technical Expertise Available

- After identification of a feasible project, promoters should involve financiers at an early stage
  - Detailed project preparation, including review of Carbon Credit Issues
  - Special Requirements on Environment and Procurement
  - Guarantees
  - Insurance
  - Risk Mitigation
  - Acceptability of financial and economic profitability levels