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Assessing the Ability to Manage the Project

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A less common but still highly relevant component of project assessment focuses on the ability of the procuring authority to manage the delivery of the project, i.e. project preparation, tendering, and contract management over the term of the PPP contract.

This requires an appraisal of the **current** capacity of the procuring authority including its leadership, and the identification of **future** needs. The exercise should lead to the formulation of a credible plan drawing upon the resources of other government agencies, and including the costs of hiring external experts and transaction advisors, and of strengthening the leadership of the project team.

This assessment of the procuring authority should demonstrate that the project is appropriately resourced and that appropriate governance arrangements are in place. The project should have gone through a detailed planning exercise with a realistic timetable; advisers should have been hired; and a risk register should have been prepared showing the primary risks faced by the procurement and how they will be mitigated. There should also be a benefits realization plan. This plan should explain how the project will be evaluated, and how project outcomes will be captured and monitored during the operational phase of the project.

In the United Kingdom, the **Five Case Model methodology** (Flanagan and Nicholls 2007) includes in this assessment (the *management case*) the following components:

- Program and Project Management Methodology and Structure
- Program and Project Management Plans
- Use of Specialist Advisers
- Change and Contract Management Arrangements
- Benefits Realization
- Risk Management
- Monitoring during Implementation
- Post Implementation Evaluation Arrangements
- Contingency Arrangements

Key References

Project Feasibility and Economic Viability Analysis

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- CO. 2006. *Metodología general ajustada para la identificación, preparación y evaluación de proyectos de inversión*. Bogotá: Gobierno de Colombia, Departamento Nacional de Planeación, Dirección de Inversiones y Finanzas Públicas. Pages 79–84 in the General Adjusted Methodology for the Identification, Preparation, and Evaluation of Projects provide guidelines for the Technical Feasibility Studies that should be carried out at this stage to estimate the capital, machinery, labor, materials, and other inputs required to implement the PPP project.
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diagnosis of the current situation, identifying possible alternatives—and evaluating projects—including cost-benefit analysis, cost-efficiency analysis.

- PE. 2010. *Pautas para la Identificación, formulación y evaluación social de proyectos de inversión pública a nivel de perfil*. Lima: Ministerio de Economia y Finanzas. The Guidelines for the Identification, Formulation, and Social Evaluation of Public Investment Projects provides guidelines for identifying public investment projects, and for carrying out detailed feasibility studies and economic viability analysis.
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- UK. 2011a. *The Green Book: Appraisal and Evaluation in Central Government*. London: UK Government, HM Treasury. Provides guidance on appraisal of projects, programs and policies, by combining economic, financial, social and environmental assessments to guide analysis of the options available, along with detailed technical annexes. The Green Book is used as a guide by many other governments.
- EC. 2013. *Evalsed Sourcebook: Method and Techniques*. Brussels: European Commission. Online sourcebook covering all aspects of socio-economic evaluation as part of their Resource for the Evaluation of Socio-Economic Development. Includes sections on cost-benefit analysis and cost effectiveness analysis; in each case describing the approach, when it is used, its strengths and weaknesses, and provides a bibliography with further reading.
- WB. 1998. *Handbook on Economic Analysis of Investment Operations*. Washington, DC: World Bank. A detailed handbook, starting with an introduction to economic analysis, and going on to describe in detail how to assess economic costs and benefits. The handbook includes chapters on estimating economic benefits specific to the health, education, and transport sectors.
- Boardman, Anthony, David Greenberg, Aidan Vining, and David Weimer. 2010. *Cost Benefit Analysis: Concepts and Practice*. 4th ed. Cranbury, New Jersey: Pearson. Comprehensive reference textbook on cost-benefit analysis issues.
- ADB. 1999. *Handbook for Economic Analysis of Water Supply Projects*. Manila: Asian Development Bank. Provides detailed guidance on appraising water supply projects—including demand analysis and forecasting, least cost analysis, financial and economic cost-benefit analysis, and sensitivity and risk analysis.
- Hine, John. 2008. *The Economics of Road Investment*. Washington, DC: World Bank. This presentation provides an overview of specific issues in cost-benefit analysis for road sector projects.
- Khatib, Hisham. 2014. *Economic Evaluation of Projects in the Electricity Supply Industry*. 3rd ed. Stevenage, England: The Institution of Engineering and Technology. Chapter 7: “Economic Evaluation of Projects” focuses on economic cost-benefit analysis. Other chapters cover financial analysis, describe how to build environmental considerations into project appraisal, and describe risk analysis.
- EIB and EC. 2005. *RAILPAG: Railway Project Appraisal Guidelines*. Luxembourg: European Investment Bank and European Commission. Chapter 4: “Financial and Economic Analyses” includes guidance for the development of the financial and cost-benefit analyses and sector relevant aspects.

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