

Chapter 9: Project Concept Paper Template and Guidance

On the basis of MCC’s technical assessment of the Concept Notes, the Compact Development Team will develop more detailed project proposals (“Concept Papers”) based on a shared understanding of a country’s principal constraints to growth and poverty reduction, the types of investments most likely to address the root causes of those constraints, and the additional analysis needed to fully develop the project proposals. As such, the purpose of the Concept Paper is to:

- Give eligible countries an opportunity to clarify, organize, and prioritize their own investment ideas, and establish the programmatic logic that underlies them;
- Help eligible countries and MCC reach a common understanding of how proposed investments will lead to economic growth and poverty reduction
- Inform discussions between MCC and eligible countries on the rationale, feasibility, and risks of proposed projects, and where to focus resources for further project development;
- Give MCC an opportunity to provide guidance on the structure, approach, activities, and other aspects of project concepts before they are fully developed; and
- Help MCC and partner countries reach agreement on outstanding issues that need to be addressed to develop fully the project concepts into detailed investment proposals, and the related assessments, studies, and data that will be required.

The investment criteria below will play an important role in MCC’s assessment of the Concept Papers:

- **Significant economic returns:** Each project proposed for funding to MCC should have an [economic rate of return](#) of at least 10%, as the expected increase in income of project beneficiaries must be substantially greater than the expected project cost. Concept Papers may not contain this level of detail.
- **Strong program logic:** The Concept Papers should demonstrate a clear economic logic that links the proposed project to a constraint to economic growth; the logic must also clearly identify the relationship between the project and an impact on beneficiary income, as well as the populations that are expected to benefit from the project. The Compact Development Team’s analysis of root causes behind the constraints to economic growth, as well as the alternative courses of action considered to address the root causes can be helpful in creating the program logic.
- **Achievable:** The proposed projects must be able to be completed within five years. Compact programs should be within the manageable control of the country. Countries are encouraged to be mindful of their own management and oversight capacity when designing compact programs; geographically dispersed compact programs with multiple programmatic components can be extremely difficult to manage. Projects with significant risks or uncertain time horizons will not be funded.

- **Manageable environmental and social risks:** Projects must assess the environmental risks, costs, and impacts, in accordance with [MCC's Environmental Guidelines](#). Project design must also take into account social and gender inequalities, in accordance with MCC's [Gender Policy](#) and [Gender Integration Guidelines](#).
- **Consideration of policy and institutional issues:** Concept Papers should take into account relevant policies, laws, regulations and public sector institutions relevant to the proposed project, and whether any reforms or changes need to be made to ensure the project can achieve the intended goals and be sustained over the long-term.
- **Role of the private sector:** The Concept Papers should describe what role the private sector might play to either co-finance the project or make complementary investments. If appropriate, the Concept Note
- **Sustainability:** Compact projects should be designed to be financially and technically sustainable once MCC funding has ended. Concept Papers should include the Compact Development Team's preliminary considerations on sustainability, such as what revenue source will pay for long-term operations and maintenance costs, and what public or private entity will operate and manage the project.

Concept Paper for each project will typically be between 15 and 30 pages. The amount of information to be provided in each section will depend largely on the nature of the project itself and current level of project preparation. Compact Development Teams should follow the template on the following page to prepare Concept Papers.

Project Title Concept Paper

I. Project Rationale and Description

Provide MCC with the underlying logic for the proposed project, the constraint to economic growth the project is meant to address, and how the project will reduce poverty through economic growth.

Problem statement: Identify the root problem or constraint that the project is meant to address.

Long-term sector objective: Describe the long-term sector objective the project will contribute to.

Expected project outcomes: Describe how the project will contribute to the overall goal of poverty reduction through economic growth, including by contributing to the long-term sector objective. For example, a transportation project could result in reduced vehicle operating costs and reduced travel time, both of which increase the incomes of road users through lowered transportation costs.

Description of project outputs and specific activities: Describe the details of each project, such as component activities and geographic scope, as well as the anticipated outputs of the project (e.g., number of kilometers of road, hectares irrigated, number of houses with potable water and sanitation connections, number of students enrolled, etc.).

Estimated cost: Include cost estimates for the entire project and any component activities. Indicate whether project preparation is included in the estimate (e.g. feasibility studies, environmental and social impact assessments, resettlement action plan, technical assistance, etc.).

II. Project Context and Development Plans

The project context will provide MCC with a clear understanding of the sector in which the concept project would be implemented.

Sector description: Compact Development Teams should describe:

- The role of the targeted sector in the overall economy – for example, its contribution to GDP and employment, and links to other productive sectors.
- How the project is linked to the preliminary compact development analyses - [constraints to economic growth analysis](#), [social and gender constraints to poverty reduction](#), [investment opportunity process](#), and [stakeholder consultations](#).
- Policies, laws and regulations governing the sector, as well as the background and status of policy and institutional reform efforts.
- Government strategies and plans for development of the sector, including sector master plans, where available.

- Roles, responsibilities, and capabilities of the public sector institutions responsible for sector oversight and management.
- Respective roles of government and the private sector in ownership, management, operation, or regulation of key sector assets, delivery of services, or production.
- If applicable, describe how this project is linked to other project concepts submitted to MCC.

After submission of the Concept Papers, Compact Development Teams should provide MCC additional background documentation, such as copies of relevant policies, laws, regulations, studies and other documentation.

Sector investments: For other major projects planned or underway in the project sector, Compact Development Teams should describe:

- Project objectives and major activities, including scope, and geographic region
- Expected or actual completion date
- Expected or actual cost
- Source of funding (e.g. national budget, donor agency, private sector)
- Linkages with the proposed project
- Project outcomes (if completed).

III. Inventory of Existing Preparatory Work

To assist MCC to assess the level of effort needed to develop fully a project proposal from each concept project, please provide an inventory of existing studies already undertaken. This preparatory work is not a requirement for submission of the project concept, though many of the items below will need to be completed prior to compact signing. The final determination of necessary preparatory work will depend on the type of project proposed, and availability of existing studies and data.

- **Preliminary studies:** Describe any preliminary assessments (e.g. pre-feasibility studies or other project assessments) of the technical and economic viability of the proposed project, a comparison of alternative approaches to various elements of the concept project and recommendation for further analysis of alternative project approaches, estimates of costs and the anticipated benefits.
- **Full feasibility studies:** A feasibility study covers all economic, institutional, environmental and social (including resettlement and health and safety risks), and technical and engineering aspects of the project.
- **Technical data:** Describe any relevant engineering or technical data. Examples could include:
 - Roads: Geotechnical surveys and historical traffic counts;
 - Irrigation: Hydrology studies, reservoir operations, irrigation demand at reservoir, hydrological year spill examinations, geologic and hydrogeologic modeling;
 - Agricultural development: Market data on production, demand, prices, exports for targeted agricultural products

- Education: Participation and completion rates, educational outcomes, and literacy.
- **Economic studies:** Describe economic analysis and data (include sex- disaggregated results and data, if possible). Content in this section may include expected economic returns, relevant historical trends, expected beneficiaries, and baseline studies such as surveys of household incomes, enterprises, and agricultural production.
- **Environmental and social impact analyses:** Describe relevant environmental or social risks or opportunities. For reference to the types of analyses that may be required prior to investment, see MCC's [Environmental Guidelines](#). For reference to the types of analyses and steps that may ultimately be required prior to resettlement and/or land expropriation, see [World Bank Operational Policy 4.12 on Involuntary Resettlement](#).
- **Gender analyses:** Describe relevant studies of social and economic inequalities relevant to the project. For example, inequalities in access to resources that constrain the ability of women and/or other potentially vulnerable groups to benefit from the project, or social norms that could adversely or positively influence equal access to project benefits for all vulnerable groups. For reference to the types of analyses that may be required prior to investment, see the [MCC Gender Policy](#), and [Social and Gender Assessment](#).
- **Public consultations:** Describe project consultations (whether conducted during compact development or not), including the format and number of consultations, geographic scope, major stakeholder groups involved, including the degree and type of representation of women and other vulnerable groups.
- **Plans for additional studies to develop the concept project:** Including a description, planned sources of funding, and timeline for completion.

IV. Project Benefits and Beneficiaries

The purpose of this section is to provide a preliminary assessment of the beneficiaries and potential economic returns to the concept project. This information could come from the preparatory studies described in Section III above or internal estimates by the Compact Development Team.

Expected economic returns to the concept project

- Describe how the proposed project will increase income within the economy, including a discussion of key supporting evidence (quantitative and qualitative).
- Provide preliminary estimates, if available, of incremental costs (including investment and recurrent expenditures) and incremental benefits over the life of the project.
- Identify key parameters/ assumptions underlying the estimates of incremental costs and benefits.
- Provide an indication of the level of uncertainty around key assumptions or parameter estimates.
- Present the estimated economic rate of return along with an estimate of variance.
- Propose possible indicators for monitoring project outcomes.

Description of target beneficiaries

- Describe who will principally benefit from the proposed concept project, by location and income (if possible, identify the share of beneficiaries below the national poverty line).
- Provide sex-disaggregated information of the potential beneficiaries.
- If possible, report the anticipated change in average annual income among poor and non-poor beneficiaries on a per capita or household basis.
- Describe the basis of this estimation of the distribution of income benefits.
- Based on an analysis of gender differences and inequalities, countries will identify project beneficiaries disaggregated by sex and provide an explanation of how projects will be designed to take into account gender differences and correct inequalities that are constraints to economic growth and poverty reduction.

V. Environmental, Social, and Gender Risks and Opportunities

The purpose of this section is to describe environmental, social, and gender issues need to be considered and mitigated to ensure the project is implemented in an environmentally and socially responsible manner, consistent with [MCC's Environmental Guidelines](#) and [Gender Policy](#). Examples include involuntary resettlement and/or unavoidable impacts to vulnerable groups or sensitive natural resources, protected areas, or cultural heritage sites.

The Concept Paper should provide a brief description of the project's biophysical and sociocultural setting, with a focus on issues most critical to successful project design and implementation, including any that may attract public opposition to the project, require extensive mitigation, or otherwise cause project delays. The information could be drawn from any existing studies identified in Section III, or other sources. It is understood that much of this information may be preliminary or unavailable at the concept stage. Please also note whether this description is informed by consultations with potential beneficiaries and other relevant stakeholders, or if these consultations are planned at a later date. If applicable, please also describe how the concept project enhances the sustainable use of natural resources.

- **Describe the concept project's physical setting:** For example, describe sensitive habitats, protected areas, privately-held land, natural hazard zones, and water courses near or in the project area.
- **Describe the concept project's social setting:** For example, prevalence of underrepresented or vulnerable groups, ethnic minorities, significant inequalities between men and women, HIV/AIDS and other diseases, division of labor, and other key social, cultural, political, institutional factors in the project area or affected by project activities.
- **Human occupation of the concept project site and right of way:** For infrastructure projects, including those with small-scale civil works, describe the estimated number of households that may incur a loss of assets including land, whether legally occupied or not. Include a description of livelihood activities located there, temporary occupation, use for burial/sacred purposes, or other culturally valuable sites within the concept project area.

- **Potential for disputes:** Describe any past or current controversy associated with the proposed approach and/or location of the concept project, or with similar projects.
- **Potential for enhancing social or environmental benefits:** Describe how the concept project enhances the environment or provides social benefits.

VI. Project Sustainability

The purpose of this section is to identify risks to project sustainability and to describe measures planned or needed to ensure that the benefits from the concept project can be sustained beyond the period of MCC financing. Some of the items below are representative of sustainability issues most common to infrastructure and natural resource extraction projects.

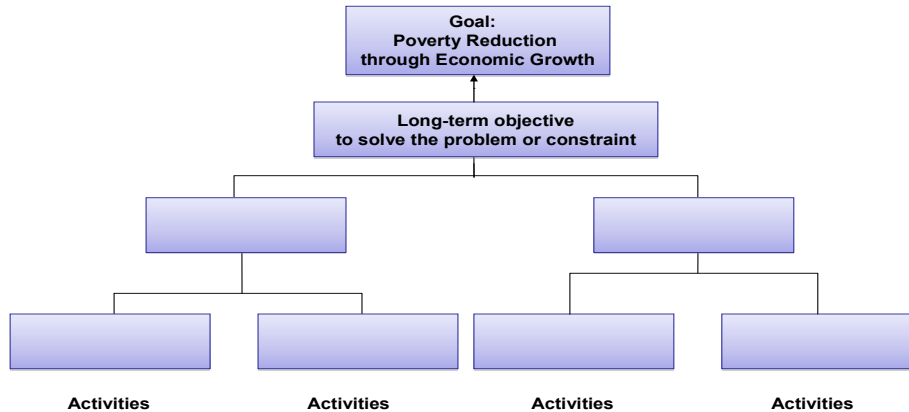
- **Environmental sustainability:** If the project impacts the natural environment, either through discharge of waste products or extraction of renewable resources such as water, fish, timber, etc., describe measures to ensure the sustainable use of environmental amenities.
- **Operations and maintenance – financial:** In the case of proposed infrastructure projects, describe recent public sector funding and performance on operations and maintenance in the sector, and the additional operations and maintenance expenses expected with the concept project.
- **Operations and maintenance – institutional:** Describe public sector institutional capacity for operations and maintenance of existing assets and proposed new investments, and any plans to improve operational efficiency either as part of the concept project or a separate effort.
- **Tariffs and user fees:** Describe whether services delivered by the project will be financed in whole or in part by levies, tariffs, licenses, or other forms of user fees. Do such fees already exist for the same or similar services provided in the concept project area or elsewhere? If so, what share of operations and maintenance costs are recovered from user fees and to what extent are services subsidized? To the extent that new or increased cost recovery mechanisms are contemplated, please describe and indicate whether the government has conducted public demand and willingness to pay assessments.
- **Policy, legal and regulatory issues:** Describe policy, legal and regulatory issues that may affect the concept project's contribution to the intended long-term objective. Examples: land reform– are there legal impediments to registration of land titles?; financial services– does the judicial system provide adequate protection to lenders?; export promotion– are delays at the border common due to customs issues?

VII. Project Results and Monitoring and Evaluation Methodology/Plan

The purpose of this section is to present preliminary ideas on expected results and their measurement, consistent with MCC's [Policy for Monitoring and Evaluation of Compacts and Threshold Programs](#). It should include the following:

- Summary of Program Logic:** Based on Section I, summarize the program logic and graphically depict the linkages between the proposed project activities and anticipated economic impacts. The summary should highlight the means by which key activities are expected to reduce poverty through economic growth. The diagram will serve as a foundation for determining indicators. An example follows below:

Program Logic Framework



- Potential Indicators:** The Concept Paper’s Section IV requires possible indicators for monitoring project results. Such indicators typically include the key quantities driving economic returns and are thus drawn from the economic rate of return analysis. This section of the monitoring and evaluation section allows for additional information to be provided on these indicators, including definitions, sources, and baselines (where they exist) and five year targets consistent with the economic rate of return calculations. This section could also include additional indicators related to expected project impacts that are not included in the economic analysis. A suggested format for the description of potential indicators is presented below:

Indicator	Definition	Unit of Measurement	Source	Data Collection Instrument (e.g. survey, administrative data)	Baseline Value	Year 5 Target Value

- Data Gaps:** The source column of the table above will highlight gaps in baseline data that may require new data collection. If funding is not available from existing sources (such as the government or other projects), MCC may provide funding for data collection during compact development. If possible, a specific list of expected data requirements, with any estimates of data collection costs and time required, should be provided.

- **Methods of evaluation:** Describe the proposed method for assessing the impact of the project (e.g., performance evaluation, impact evaluation).
- **M&E Sources and Reference Documents:** This section should include a preliminary inventory of existing M&E-relevant documentation at the national, regional and sector levels such as:
 - National poverty monitoring and evaluation strategy
 - National strategy for development statistics
 - Monitoring and evaluation strategies and systems for the project sector
 - Progress reports and impact evaluations from similar projects

VII. Implementation Arrangements

The purpose of this section is to describe potential implementation arrangements for the concept project, including an assessment of the capacity of relevant implementing entities. For example, has the country implemented similar projects of this scale in the past? In the targeted sector? Does the country have the capacity – in its own ministries or other governmental bodies – to implement the concept project? Do the relevant implementing entities have experience with international procurement of goods and services for large-scale projects? If yes, please describe the projects and their implementation performance. Is there a competitive private market for the execution of similar projects?

- **Description of government or other entities that would have a role in oversight and implementation of the concept project:**
 - Brief overview of entities
 - Past experience implementing similar projects
 - Technical capacity that can be provided for project implementation (for example, project managers, civil engineers, social sector specialists, environmental scientists, etc.), and
 - Description of capacity building needs (including gender analysis, when applicable).
- **Implementation timeline:** Please provide an estimate of the time needed to complete each step below. If a project implementation schedule has been produced, please include it in an annex.
 - Establishment of management unit with staff and office space
 - Preparation of bidding documents
 - Procurement
 - Mobilization
 - Implementation
 - Completion
- **Consultations and accountability:** Please provide information on proposed mechanisms to sustain consultations with civil society during implementation, to involve civil society organizations in project governance structures, and to receive feedback from the general public regarding implementation.

- **Plans for longer-term project activities:** If concept project activities are to continue beyond the five-year term of MCC financing, describe briefly how these activities will be financed and managed.

VIII. Annexes

- Bibliography of sources
- Other annexes as needed