

## Chapter 9: Project Concept Paper Template and Guidance

On the basis of MCC’s technical assessment of a core team’s concept notes, the core team will proceed to develop more detailed project proposals – project concept papers. MCC experience has shown that compact programs proceed more smoothly and efficiently when they are based on sufficiently detailed, high-quality investment proposals. High-quality proposals evolve from a shared understanding of (i) the main constraints to growth and poverty reduction, (ii) the types of corresponding investments most suitable for MCC financing, and (iii) the assessments needed to progress from concepts to fully developed projects.

The purpose of the project concept paper is to help partner countries and MCC reach this common understanding on how proposed investments will lead to economic growth and poverty reduction. Specifically, the project concept paper is designed to:

- ★ Give partner countries an opportunity to clarify, organize, and prioritize their own investment ideas in written form, as well as to establish the programmatic logic that underlies them;
- ★ Inform detailed discussions between MCC and candidate country on the rationale, feasibility, and risks of projects still at the conceptual stage, and agreement on where to focus resources for further development;
- ★ Give MCC an opportunity to provide guidance to partner countries 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.

MCC does not have a preference for investments in any specific sector, or for specific financing or implementation arrangements. MCC is open to working with the private sector, building on existing donors’ programs, or exploring alternatives to traditional public sector project finance. Project concept papers will be assessed according to their potential to address key constraints to economic growth or otherwise contribute to economic growth and poverty reduction, their technical feasibility, potential risks, and likely impacts on environmental sustainability and social/gender equality, as detailed in the attached template and guidance.

The overall length of the concept paper for each individual concept project typically will be between 15 and 30 pages. The amount of information to be provided in each section will depend largely on the nature of the concept project itself, and current level of preparation.

### I. Project Rationale and Description (2-4 pages)

The project rationale and description will provide MCC with the underlying logic for the proposed project described in the concept paper. It should clearly identify the constraint to economic growth that the concept project is meant to address, as well as how the concept project will contribute overall to poverty reduction through economic growth.

- **Problem or constraint statement:** Clearly identify the root problem or constraint that the concept project is meant to address.
- **Desired long-term sector objective:** Describe the long-term sector objective that the concept project will contribute to.
- **Expected project outcomes:** Describe how the specific results of the concept project will contribute to the desired long-term sector objective. For example, a transportation project could result in reduced vehicle operating costs or a financial sector reform project could result in broader participation in financial markets and reduced cost of credit. Please also include a statement about how the project will contribute to the overall goal of poverty reduction through economic growth.
- **Description of project outputs and specific activities:** For example, privatization of utilities, construction of a clinic, school, road, or other civil works, training, or technical assistance to farmers. Include in the description available details of each activity, such as geographic scope.
- **Estimated cost:** Include summary cost estimates at the activity level, and indicate what project

preparation activities are included in the estimate, if any – such as feasibility studies, environmental and social assessments, resettlement (including land taking), capital works, technical assistance, etc. Detailed budgets are not required but, if available, should be attached as an annex.

## 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 and strategy description:**

- Describe the role of the targeted sector or intervention(s) in the overall economy – for example, its contribution to GDP and employment, and links to other productive sectors.
- Describe the roles of government and the private sector – for example, in ownership, management, operation, or regulation of key assets, delivery of services and production.
- Explain how the selection of this concept project in the sector is linked to analyses of economic constraints analysis, social/gender inequalities, investment opportunity, sector analyses, and stakeholder consultations.
- Describe the government's strategies and plans for development of the sector, including for network projects such as power and transport whether there are any sector master plans or similar studies.
- Describe the Government's broad policy framework for the sector or intervention(s), including a description of recent reforms and governing documents, as well as reform results or obstacles, if known.
- Describe how this concept project is linked, if at all, to other project concepts submitted to MCC.
- After submission of the concept papers, core teams should be prepared to provide to MCC additional documentation, such as a list and the relevant documents related to the intervention, including for laws, regulations and other pertinent documentation.

### **Description of recent, ongoing or expected investments in the sector:**

For each recent, ongoing or planned project (other than the concept project) in the targeted sector, briefly describe:

- Source of funding (national budget, donor agency, private sector)
- Project objectives and major activities, including scope, and geographic region
- Expected or actual cost
- Expected or actual completion date
- Linkages with the concept project
- Potential for collaboration with the private sector or other donors on project preparation
- financing, and implementation, and
- Project outcomes (if completed).

## III. Inventory of Existing Preparatory Work

To assist MCC to assess the level of effort that will be 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 typically will need to be completed prior to compact signing or prior to disbursements. The final determination of necessary preparatory work will depend on the type of concept project proposed, and availability of existing studies and data.

Please check the boxes below to indicate existing preparatory work, and provide summary information as described below. Sections IV and V provide an opportunity to describe key findings from any existing preparatory work.

- **Sector studies and/or plans:** (For example, an education sector plan, road sector master plan, or sector-wide approach.)
  - Brief description
  - Agency or contractor that completed the work; source of funding; date completed. Please also be prepared to provide these documents shortly after submission of concept papers at MCC's request. Delay in doing so can seriously delay the further development and preparation of compact projects.

- **Public consultations:**

- Brief description conveying the depth and breadth of consultations conducted during compact development, 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.

**Economic studies:** Provide a brief description of study conclusions and resulting data (include sex disaggregated results and data, if possible), as well as the agency or contractor that completed the work, source of funding for the study and date completed. Content in this section may include, for example, expected economic returns to the project, quantitative data on relevant historical trends, details on expected beneficiaries, and the current baseline situation for the relevant sector such as surveys of household incomes, enterprises, and agricultural production. Also of interest is any evidence of expected results derived from progress reports and impact evaluations from similar projects.

- **Social and gender studies:** Brief description of relevant studies and findings or fact-based hypotheses regarding significant differential impacts or increased economic inequality resulting from the proposed project. For example, list conclusions or fact-based hypotheses highlighting inequalities in access to human, financial, physical, natural, social and/or political capital that significantly constrain the ability of women and/or other potentially vulnerable demographic groups to benefit from the project; social norms, practices, and preferences that would adversely or positively influence project success; and any existing evidence from surveys and qualitative studies of the project areas or evaluations of similar projects.

- **Supporting technical data:** Please provide any existing engineering or technical data supporting the project. Examples include: [i] road project – geotechnical surveys and historical traffic counts available; [ii] irrigation – studies of the hydrology of the scheme, reservoir operations, irrigation demand at reservoir, hydrological year spill examinations, geologic and hydrogeologic modeling, etc.; [iii] agricultural development – market data on production, demand, prices, exports for targeted agricultural products; [iv] education – data on participation and completion rates, educational outcomes, literacy, etc.

- Brief description – how many years of data are available; periodicity; level of detail (include sex disaggregated data, if possible)
- Agency or contractor that collected and/or updated the data set

- **Preliminary studies:** (The studies may include preliminary assessments of the technical and economic viability of a concept project, a comparison of alternative approaches to various elements of the concept project and recommendation for further analysis of the most suitable alternatives, rough estimates of costs and the anticipated benefits, etc. Examples of preliminary studies: [i] infrastructure projects – prefeasibility studies; [ii] land tenure project – preliminary assessments of the legal and customary framework of the land tenure system; [iii] financial services project – analysis of the depth and breadth of financial markets and unmet demand for specific services.)

- Brief description (include sex disaggregated data, if possible)
- Agency or contractor that completed the work; source of funding; date completed

- 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 concept project. The need for the concept project is analyzed along with resource availability, and refined estimates are made of (i) concept project benefits; (ii) capital costs of construction; (iii) annual costs of operation and maintenance; (iv) economic parameters for evaluation, i.e., Net Present Value, Internal Rate of Return or other; and (v) sustainability analysis.<sup>1</sup>)
  - Brief description (include sex disaggregated data, if possible)
  - Agency or contractor that completed the work; source of funding; date completed
- Detailed budgets:** (Detailed cost estimates at the activity level, including local and foreign costs, material costs vs. cost of labor, etc.)
  - Brief description
  - Agency or contractor that completed the work; source of funding; date completed
- Environmental and social impact analyses:** (For reference to the types of analyses that may be required prior to investment, see MCC's Environmental Guidelines, available at [www.mcc.gov](http://www.mcc.gov))
  - Brief description
  - Agency or contractor that completed the work; source of funding; date completed
- Gender analyses:** (For reference to the types of analyses that may be required prior to investment, see the [MCC Gender Policy](#).) and MCC Guidance on Gender Integration.
  - Brief description (include sex disaggregated data, if possible)
  - Agency or contractor that completed the work; source of funding; date completed
- Resettlement Action Plans (RAPs):** (For reference to the types of analyses and steps that may ultimately be required prior to construction, see [World Bank Operational Policy 4.12 on Involuntary Resettlement](#) and other documents describing resettlement and/or any land expropriation, see OP 4.12.
  - Brief description
  - Agency or contractor that completed the work; source of funding; date completed
- Plans for additional studies to develop the concept project:**
  - Description
  - Timeline
  - Sources (actual or proposed) of funding

#### IV. Project Benefits and Beneficiaries

The purpose of this section is to provide a preliminary assessment of the potential economic returns to the concept project, based on a cost-benefit analysis, and to provide information on the target beneficiaries. This information could come from the preparatory studies described in Section III above, other sources, or internal estimates by the core team and experts involved in drafting the concept paper. Please also note whether this description is informed by consultations with potential beneficiaries and other relevant stakeholders, or if these consultations are planned for later.

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<sup>1</sup> Source: <http://www.oas.org/dsd/publications/Unit/oea03e/ch13.htm>

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, as appropriate).
- 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 ERR in a summary table together with an estimate of the range within which the ERR is expected to vary given identified uncertainties in the values of critical parameters.
- Based on the model, suggest 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.

Gender considerations

- 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 gender inequalities that are constraints to economic growth and poverty reduction. Countries should refer to the MCC Gender Policy for specific guidance on gender analysis.

**V. Environmental, Social, and Gender Risks and Opportunities**

The purpose of this section is to describe environmental, social, and gender issues within and outside of the direct control of the project that need to be considered and mitigated to ensure the project is implemented in an environmentally and socially responsible manner, consistent with MCC 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 environmental, social, or gender benefits, or enhances the sustainable use of natural resources.

Include a preliminary assessment of key environmental and social issues that may need to be addressed in the design, permitting, and implementation of the concept project, including but not limited to the following:

- **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.
  - Description
  - Sources of information
- **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.
- Description (include sex disaggregated data, if possible)
- Sources of information
- **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.
  - Description (include sex disaggregated data, if possible)
  - Sources of information
- **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

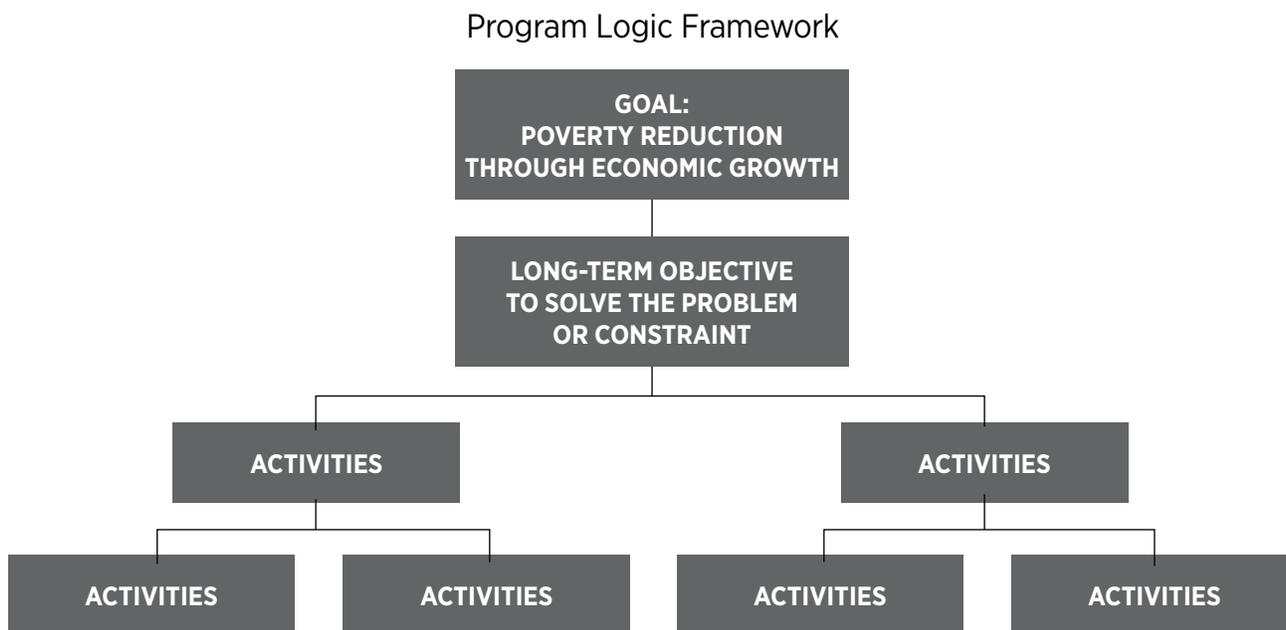
The purpose of this section is to identify risks to project sustainability and to describe measures planned or needed to ensure that the benefits from the concept project can be sustained beyond the period of MCC financing. Some of the items below are representative of sustainability issues most common 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 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 concept 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: [i] land reform project – are there legal impediments to registration of land titles?; [ii] financial services project – does the judicial system provide adequate protection to lenders?; [iii] export promotion project – are delays at the border common due to customs issues?

**VII. Project Results and M&E 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<sup>2</sup>. It should include the following:

- **Summary of Program Logic:** Based on the Concept Paper’s Section I: Project Rationale and Description, a Summary of Program Logic should graphically depict the links between the proposed activities and anticipated higher-level economic impacts of the concept project, which are consistent with the preliminary economic analysis. The summary should clearly highlight the logic of the interventions and the channels through which key activities are expected to reduce poverty through economic growth. The diagram will serve as a foundation for determining indicators.



- **Potential Indicators:** The Concept Paper’s Section IV: Project Benefits and Beneficiaries requires a suggestion of possible indicators for monitoring project results. Such indicators typically include the key quantities driving economic returns and are thus drawn, naturally, from the economic rate of return (ERR) analysis. This section of the M&E Annex allows for additional information to be provided on these indicators, including definitions, sources, and baselines (where they exist) and 5-year targets consistent with the ERR 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/Responsible Entity	Data Collection Instrument (e.g. survey, administrative data)	Baseline Value	Year 5 Target Value

<sup>2</sup> Available at: <http://www.mcc.gov/documents/guidance/policy-051209-mande.pdf>

- **Data Gaps:** The “source/responsible entity” column of Table 1 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 Compact Development. If possible, a specific list of expected data requirements, with any estimates of data collection costs, should be provided in this section of the Concept Paper.
- **Impact evaluation opportunities:** The constraints analysis could identify problems which various different interventions could address. The concept paper may also include untested interventions to be piloted under a Compact. If opportunities exist to use rigorous evaluation methods to test which interventions are most impactful, they should be highlighted.
- **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.

Examples include:

- National poverty monitoring and evaluation strategy
- National strategy for development statistics
- Recent surveys, sector studies, or other analytical or empirical work related to the concept project (e.g. on household incomes, enterprises, and agricultural production), including especially any studies or supporting evidence cited in the economic and beneficiary analysis
- Monitoring and evaluation strategies and systems for the sectors presented in the Concept Paper
- Progress reports and impact evaluations from projects similar to the ones presented in the Concept Paper

## 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? Are there existing entities, such as World Bank or other donor project implementation units, that could participate in the implementation of the concept project? 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 as an annex.
  - Establishment of management unit(s) with staff and office space;
  - Preparation of bidding documents;
  - Procurement;
  - Mobilization;
  - Time in field for experts (in case of TA); and
  - Construction (in case of civil works).

- **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 consulted to develop the concept paper (documents, data, institutions, or individuals)
- Other annexes as needed

