

Request for Expressions of Interest
(First Publication Date: (2078/07/12))

Country: **Nepal**

Project: **Integrated Public Financial Management Reform Project (IPFMRP)**

Grant No: **TF- 0A7474**

Assignment Title: **Developing Unified Standard Guidelines for Identification, Appraisal, and Selection and Prioritization of Government Projects**

Reference No.: **NP-NPC-259760-CS-CQS**

Government of Nepal (GON) has received a grant from the Multi Donor Trust Fund (MDTF) administered by the World Bank with the GON's counterpart funding for the implementation of Integrated Public Financial Management Reform Project (IPFMRP) and intends to apply part of the proceeds of this project financing for "Consulting services for Developing Unified Standard Guidelines for Identification, Appraisal, and Selection and Prioritization of Government Projects".

The scope of the consulting services is to prepare a complete set of comprehensive project identification, appraisal and selection and prioritization guideline applicable to all the different sectors. More details on the Services are provided in the Terms of Reference

National Planning Commission (NPC), Nepal now invites eligible Consulting firms to express their interest in providing the above-mentioned services. Interested firms must provide information demonstrating that they are qualified to perform the required services. The short listing will be carried out based on the following criteria:

- General experiences of the firm (Core business and years in the business),
- Specific experiences of the firm (Required for the assignment),
- Technical and Managerial capability of the firm.

The attention of interested Consultants is drawn to paragraphs 3.14, 3.16 and 3.17 of The World Bank Procurement Regulations for IPF Borrowers, 4th edition November 2020 ("Procurement Regulations"), setting forth the World Bank's policy on conflict of interest.

| <u>i) Eligibility & Completeness Test</u> | Compliance |
|---|-------------------|
| Copy of Registration of the company/firm | |
| Business Registration Certificate, as applicable | |
| VAT/PAN Registration | |
| Tax Clearance Letter | |
| <i>Self Declaration letter duly certified by themselves in their Letter Pad that there is no conflict of interest, the firm is not blacklisted and not punished for professional conduct.</i> | |
| <i>Joint Venture Agreement and Power of Attorney in case of applying in joint venture</i> | |
| Note: → If the firm/Company did not 'pass' the eligibility criteria then it shall be considered as non-responsive and thus, not processed for further evaluation. | |

Consulting firms may associate with other firms in the form of a joint venture or a sub consultancy to enhance their qualifications.

A consulting firm will be selected in accordance with the **Consultant's Qualification-based Selection (CQS)** Method set out in the Procurement Regulations.

This REoI notice and Draft ToR can be downloaded from our websites: www.npc.gov.np
Interested consulting firms may obtain further information by sending email to the address below or visiting during office hours from 10:00 to 17:00 hrs. Only the firm with the best qualifications and relevant experience will be provided with the Request for Proposal (RFP) to submit detailed technical and financial proposals for contract negotiations.

Expressions of interest must be delivered in a written form in person to the address below no later than 12:00 hours, 28th Kartik 2078.

In case the last date of obtaining and submission of the REoI documents happens to be a holiday, the next working day will be deemed as the due date but the time will be the same as stipulated.

NPC reserves the right to reject any or all of the REoIs at any stage without assigning any reason whatsoever and without incurring any liability to the affected applicant(s).

Contact address:

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Terms of Reference (ToR)

for

Developing Unified Standard Guidelines for Identification, Appraisal, and Selection and Prioritization of Government Projects

1. Contextual Background

(a) Introduction

The National Planning Commission (NPC) is a specialized body of the Government of Nepal (GoN) responsible for formulation of plans and development policy with long term vision for rapid economic progress and balanced and sustainable development. Along with plan formulation, it facilitates the implementation process and monitors and evaluates the whole planning processes.

The functions of NPC have been defined through a Formation Order (Gathan Adesh), 2074 BS to formulate long term vision and evidence-based policies and plans. Among others, establishment of National Project Bank (NPB) is one of the major tasks of NPC as per the new mandate. The Formation Order has delegated authority to NPC for assessment, pre-evaluation (appraisal) and examination of projects and programs and their concurrence at the federal level through establishment of Project Bank.

NPC selects and prioritizes programs and projects in line with national development strategy based on the principles of balanced growth and sustainable development of different sectors of economy. In the implementation phase of program and project, it supports by facilitating, coordinating, monitoring and evaluation of the programs and projects to achieve their intended results and outcomes in stipulated time and costs.

With promulgation of the Constitution of Nepal and formation of three tiers of government, people's aspirations have significantly increased. In line with the long-term national vision, the 15th plan stipulated national goals of graduating from least developed country to developing country by 2022 and to graduate country with middle level income in line with SDG by 2030. It is targeted to achieve 9.6 % of average annual growth of economy within 15th plan period.

Public investment is key prerequisite for strategic intervention required for achieving strategic policy objectives, sustaining economic growth, and addressing national service delivery needs. It is estimated that country will require to mobilize 92.29 trillion Nepali Rupees for 15th Plan period (2076/77-2080/81) of which 35.98 trillion (i.e 39%) shall be required for implementing public investment projects. In

the context of resource constraints. Nepal needs to prioritize among many worthwhile investments for addressing investment needs.

(b) National Project Bank

NPC Formation Order, 2074 section 6(4) has mandated that it will develop or advice to develop the project bank for projects to be executed at federal level. The recently enacted Financial Procedure and Fiscal Accountability Act, 2076 has made mandatory provisions for the Project Bank for project selection and prioritization and budget allocation. According to of “Financial Procedures and Fiscal Accountability Act, 2076”, the GoN approves the GoN projects to be operated in federal, provincial and local levels as per the recommendation of the NPC. Similarly, the report of Office of Auditor General Nepal also recommends the need of establishing the project bank for the federal, province and local level governments.

Projects are crucial element in both the formulation and implementation of development plans and are the basic building blocks of socio-economic development process in Nepal. Projects have also been the primary instruments for getting grant, loan and technical assistance by international, regional and bilateral agencies. It is also recognized that a large number of projects need to be developed in public and in private sector as well for achieving development goals in line with SDGs and for up grading from least-developed country to middle income country by 2030. Government needs to allocate resources to these programs and projects through MTEF and maintain financial discipline in resource allocation.

There are numerous problems in different stages of project lifecycle management – Project Portfolio Management (identification, appraisal, selection and prioritization), Project Management (implementation, supervision, monitoring, evaluation, etc) and Operation and Maintenance. Limited capacity to identify, select, prioritize, formulate, prepare and execute projects are considered to be major obstacles in improving public financial management. This has resulted in unnecessary delay, cost overruns, and slow progress of the projects. This necessitates at first bringing in changes in project management policy to improve public investment management. Well-conceived projects and their selection are crucial elements in the formulation and successful implementation of government periodic plans. In this context, NPB unit is established at NPC and initiated necessary action to operationalize NPB in full capacity by FY 2079/80 with a proper mechanism of selection and prioritization of projects on the basis of predefined guidelines.

The primary objective of NPB is to ensure project good governance, to enhance decision making and credibility of development projects. Establishment of NPB will facilitate selection of evidence and need based projects for implementation, which shall improve *allocation efficiency* and thereby enhance *delivery efficiency* with respect to time, cost and quality. This will in turn help strengthening the public investment management.

As a preliminary initiative, a general guideline for project identification, appraisal, and selection and prioritization has been developed and approved by the NPC. Similarly, an IT based National Project Bank Management Information System (NPBMIS) Platform has been created. The NPB implementation action plan for FY 2076/77 has been endorsed by the NPC for strengthening and up scaling of NPB and NPBMIS. NPB implementation action plan includes, among others, institutionalization of NPB, development of a comprehensive guidelines and working procedures for NPB, development and up scaling of NPBMIS, and capacity building and sensitization activities related to NPB & NPBMIS. Development of a comprehensive unified guideline for different sectors is a prime activity that should be developed within F.Y. 2021/22. NPC has planned to further enhancement of the NPBMIS incorporating all the aspects, features, ingredients of this guideline into the system to make it full web based online automated and user friendly and easy access and entry by all the stakeholder entities.

(c) Public Investment Management (PIM) as per PEFA Framework (see annex 1)

NPC is the government's advisory body for planning and policy development and the Ministry of Finance (MoF) is formally responsible ministry for revenue, and expenditure affairs.

NPC, in collaboration with MOF and line ministries, plays a significant role in capital expenditure budget for ongoing as well as future projects. As the advisory body to the government, NPC assess, reviews and approves the priority projects for public capital expenditure allocations in five year plans including annual development program and budget. Line ministries are responsible for preparing their development programs and projects for approval.

Strengthening the Public Financial Management (PFM) framework is one of the major priorities of the GON to improve overall governance, optimum allocation of public resources for desired service delivery, and ensure inclusive, broad based as well as sustainable development goal achievements. GoN, has signed a grant agreement of "Integrated Public Financial Management Reform Project (IPFMRP)" to support Nepal's Public Financial Management Reform Strategy/Program-Phase II covering a period of Fiscal Year 2016/17 AD-2025/26 AD to support PFM

reform activities of the GoN. This project has been funded by multi donor trust fund administered by the World Bank (IDA) and counterpart funding of the GoN. It has been designed to implement PFM reform activities of different implementing agencies of the government in an integrated approach under Public Expenditure and Financial Accountability (PEFA) Framework. The objective of this framework is to strengthen the effectiveness of selected public financial management institutions and government institutions, systems and procedures at the federal and sub-national levels. PEFA assessment framework has identified *public investment management* as one of the major PFM performance measurement indicators in improving costing, appraisal, selection and monitoring of public investment projects.

PEFA assessment framework has identified *public investment management* as one of the major PFM performance measurement indicators (PEFA Indicator-11) in improving economic analysis of investment proposals, investment project selection, investment project costing, appraisal, investment project monitoring.

2. Need of Project Identification, Appraisal, Selection and Prioritization procedures or guidelines

At present, there is paucity of well-conceived projects while on the other hand there are plethora of projects in pipeline which are being included in development plans with no adequate study and preparation, resulting into not only fragmentation and inefficient use of public investment but also poor delivery of projects. This has resulted in unnecessary delay, cost overruns, and slow progress of the projects resulting into inefficient use of scarce government resources.

Some of the capital expenditure programs and projects included in the budget book are not properly implemented due to poor project readiness and project appraisals. As a result, the projects are revised and reviewed during the implementation phase which caused time and efforts, including budget surrender in some cases. In this context, solutions to these problems demand for reforms as indicated below.

- Prioritized development projects including national pride projects which are selected on the basis of national policy, sector strategy and objectives;
- Evidence and need based project identification, detail project appraisal using cost benefit and other analysis for project selection and effective project monitoring and evaluation systems ;
- Strict control in budget appropriation before completing all the processes of project identification, appraisal, selection, and prioritization;

In this backdrop, prior to the approval of capital expenditure a pragmatic guideline and framework that is applicable from the stage of project identification, to selection and prioritization of projects is necessary to develop and enforce into practice for reliable and realistic project development. Such system shall enhance

public investment management with achievement of intended outcomes and development results. Further there is urgent need for logical completion of ongoing sick projects, which are creating huge financial liabilities on government treasury with non-delivery of expected results. Thus, a general and standard integrated frameworks and processes are included in the recently development “**Guidelines for Identification, Appraisal, Selection and Prioritization of Projects for National Project Bank**”, for proper projects preparation and development. For new projects, three stages namely, project identification, project appraisal and project selection and prioritization are proposed. For ongoing projects, two stages namely, project identification and project reprioritization are proposed. Resources for project implementation will be allocated in Medium Term Expenditure Framework (MTEF) on the basis of priority of projects and their readiness.

NPB will be a central repository of bankable projects to be executed at federal level. Project concept note (PCN), project proposal (PP), and prioritization list of projects are developed as outputs of the three stages. The outputs of each stage are to be approved by the NPC prior to advance to the next stage. The stages, process and approval procedures in the proposed guidelines is depicted in Figure 1 below:

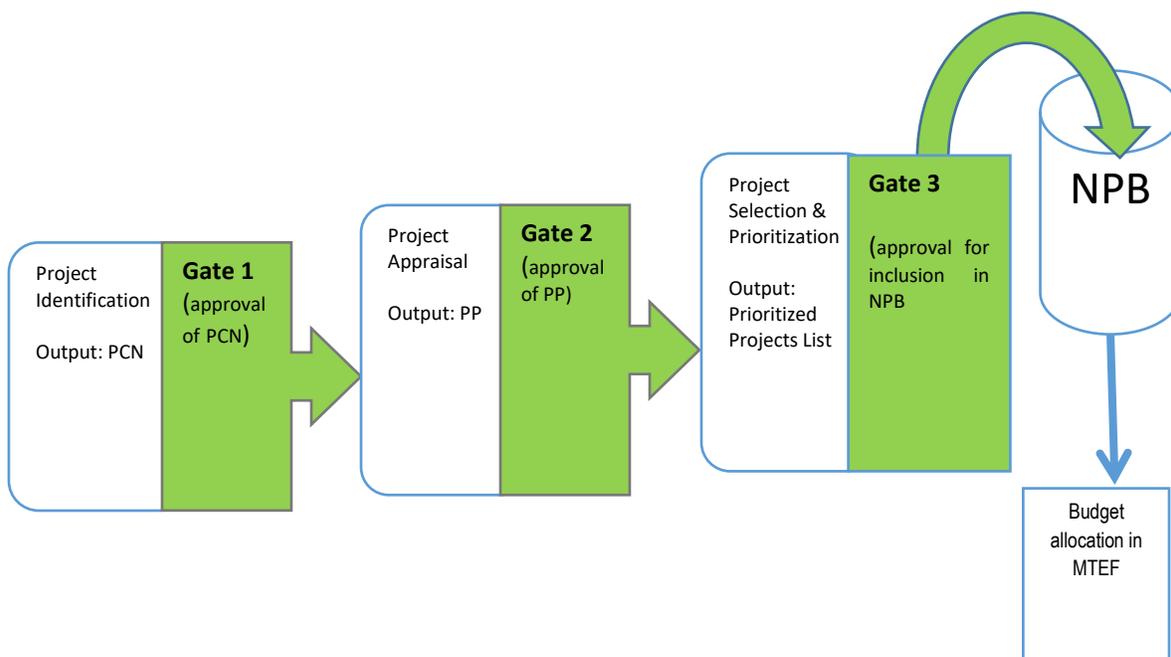


Figure 1: Stages and approval procedures of projects for NPB

As per the implementation action plan, NPC intends to develop harmonized sector guidelines across different development sectors for project identification, appraisal, selection and prioritization within FY 2078/79. In this context, NPC intended to

procure consulting services for the development of a unified standard guidelines for different development sectors of the government viz., Agriculture; Energy; Industry; Irrigation; Social; Transport; and Urban Development. NPC has intended to utilize the part of the fund available under PEFA framework for hiring individual consultants.

3. Objectives

The main objectives of this assignment is to prepare a unified standard set of harmonized guidelines for identifying, assessing, analyzing, appraising, selecting and prioritizing public expenditure projects for different sector to be included in National Project Bank (NPB). This standard procedures or guideline will support in developing a complete, realistic and reliable project planning and development documents for effective and efficient project implementation in defined time and cost with intended results. The specific objective includes:

- Development of integrated framework and procedures for project identification, appraisal, selection and prioritization of projects suitable for different development sectors;
- Devise appropriate methods, tools and techniques of technical, financial, economic, environmental and social appraisal and analysis for the same as mentioned above;
- Design training manual and conduct capacity building training session devising appropriate training materials in coordination with NPC to the concerned officials of the relevant line ministry/agencies and NPC.
- Prepare a methodology to couple the outcomes of sectoral guideline with existing NPBMIS.

4. Scope of Work

In line with the objective of this assignment, scope of work consists of the following activities (but not limited to the following):

4.1 Review and present the current state of affairs in project planning and development in different sectors, status of ongoing programs and projects, sector strategies, policies, outcomes/outputs of 15th Plan and SDG target in different sectors including costing and financing requirement;

4.2 Review and analyze international good practices of public sector project management processes and systems to replicate and adopt in the Nepalese perspectives;

4.3 Collect, review, analyze available documents, policies and guidelines of NPC or other relevant government entities and agencies involved in different sectors related

to the existing practices of project identification, appraisal, selection and prioritization system and present it in a summary in the report;

4.4 Prepare a complete set of comprehensive project identification, appraisal and selection and prioritization guideline applicable to all the different sectors consisting with applicable sets of frameworks, processes, methods, tools, techniques, forms, formats or templates and checklists.

4.5 Design or draw a detail sequential business processes of project identification, appraisal, selection and prioritization that support in incorporating and converting in the operating NPBMIS of NPC.

4.6 Prepare a suitable methodology to integrate the outcome of important sections like risk analysis, environmental analysis, financial and economic analysis from developed sectoral guidelines in the IT based system existing as NPBMIS which is under the control of NPC.

4.7 Provide a stakeholder engagement strategy and develop and deliver a presentation to stakeholders' workshop/meeting to discuss and get feedback on the proposed guideline on different sectors and build consensus among stakeholders. Deliver training and workshops throughout the course of the assignment to build the capacity of the stakeholders involved in different sectors to impart knowledge and on the use of the guideline.

4.8 This sectoral Guidelines on NPB may also be taken as a reference document by the provincial governments.

For the execution of these activities following specific tasks are required to be performed by the Consultant

(a) Develop categorization/classification standard applicable in different sector and implementing authority of the projects as per classification at federal, province and local level.

(b) Define and set the transparent processes for project identification, appraisal, and selection and prioritization for capital investment projects against clearly defined standard criteria based on the frameworks and procedures as outlined in Annex 2 and international good practices applicable to different sectors. For each stage of project planning and development, the major aspects should be covered in the guidelines.

(c) Design and develop standard criteria and templates for development of project concept note, project proposal and selection and prioritization of projects.

(d) Following a brief study and understanding of the existing institutional set-up, suggest appropriate legal and institutional arrangement for carrying out prudent identification, appraisal and selection and prioritization of project activities in the concerned line ministries and NPC.

(e) A Comprehensive Guideline may also be taken as a reference document by the provincial governments. In this context, additional work, if required, for this purpose should also be recommended by the consultant.

(f) For project appraisal purpose the guidelines should cover the required procedures for undertaking financial, economic, technical, institutional and environmental evaluation as well as social and sensitivity analysis of the proposed projects.

The NPC general guidelines on Project Identification, Appraisal and Selection and Prioritization, should be taken as a reference document for developing the unified standard guideline. The framework and stages outlined in the guidelines must be adhered to.

5. Methodology and Approach

An appropriate methodology will have to be determined by the consultant and required to be presented in the Inception Report and agreed within NPC. The consultant will work in close collaboration with the NPC and concerned line ministry. The consultant will undertake collection of all the required data/information from various sources, including government Departments, Ministries and other relevant sources. NPC shall facilitate in collection of the data/information from government institutions and other agencies as requested by the consultant.

The consultant should primarily follow the integrated frameworks and procedures of the general guidelines already approved by NPC. In the development of a comprehensive Unified Standard Guidelines, consultant has to focus on sector specific practices and requirements for which the consultant may follow variety of methods and approaches as appropriate. For this purpose, review of literature on the methodology, analytical techniques and best practices available about project identification, appraisal, selection and prioritization shall be carried out. Further, the consultant is advised to refer to the following policy documents, processes and systems to develop the framework and procedures:

- The Constitution of Nepal and Report on Unbundling of Work and Responsibilities of Federal, Province and Local levels.

- Financial Procedure and Fiscal Accountability Act and Rules
- National Project Bank Management Information System (NPBMIS)
- Line Ministry Budget Information System (LMBIS)
- Budget Formulation Guidelines (including budget ceiling)
- 15th Plan –Result Framework: selected key results mentioned in the document;
- 15th plan – Major programs and Game Changer Projects identified;
- Existing National Pride Projects and selected large-scale programs and projects;
- Needs Assessment, Costing and Financing Strategy for SDGs;
- Medium Term Expenditure Framework (MTEF);
- Medium Term Budgetary Framework (MTBF);
- Sectoral plans and costing reports.
- Sustainable Development Goals (SDG)
- Available Documents related to Sector strategy, Master Plan and project development including selection and prioritization.
- Other relevant acts, rules, guidelines, procedures, systems and directives.

The consultant is required to get consultations with NPC, concerned line ministries, departments and agencies, provincial ministries, etc. during the execution of the assignment. The consultant is also required to get into consultation with other stakeholders such as MOF; OAGN, FCGO, the World Bank, ADB, UNDP etc.

The consultant needs to take into account the prevailing policies and regulations regarding project planning and development as well as development partners' project selection and appraisal procedures and framework. Other international best practices of project identification, appraisal and selection and prioritization guidelines and framework may be considered as the sources of consideration and reference.

The NPC will facilitate and coordinate to the consultant to organize workshops and consultative meetings as and when required. The consultant has to attend and make the presentation at least in three workshops during the assignment. First workshop will be conducted after the interim report (first draft). Second workshop will be conducted after final draft report submission and discussion and feedback to be incorporated in the report. Finally, a validation workshop will be carried out for the entire assignment after the submission of final report.

6. Expected Output (Deliverables)

The Consulting firm shall provide the following deliverables:

6.1. Reports and Manuals

- Reports: following 4 reports shall be furnished by the consultant in timely manner:
 - a. Inception
 - b. Interim
 - c. Final Draft (in Nepali and English both version)
 - d. Final Report (in Nepali and English both version)

- Training Manuals

6.2 Capacity Building

- (a) Training on use of Guidelines to officials of NPC and line ministries
- (b) Workshops and Seminars

6.3 Presentation materials for Workshops

The consultant has to prepare appropriate presentation materials to facilitate at least 3 stakeholders workshop intended for finalization of the guideline in collaboration with NPC.

7. Duration of Assignment, Reporting Requirements and Time Frame

The Consultant has to work closely with NPB Unit Program Director of NPC and report to Joint Secretary, concerned Division, NPC.

The duration for the completion of the assignment is 5 (five) months from the date of signing of the agreement. The Consultant has to submit reports in the time frame as specified below:

| Major Activities | Major Outputs | Expected Completion date |
|---|---|--|
| Inception Report with Work Plan | Brief review and confirmation of work plan with identification of issues that may affect work schedule; | 15 days after signing of agreement |
| Interim Report (first draft) | Submission of outline and framework of project identification, appraisal and selection and prioritization guidelines including review and analysis of all the relevant laws, procedures, processes, existing practices, international best practices, guidelines on project development | 45 days after Inception Report submission. |
| Conduct Workshop for discussion and review on the Interim Report (1 st Workshop) | Collection of review and feedback on first draft report from NPC and different related governments' agencies to be incorporated in the final draft report | 15 days after Interim Report submission. |
| Final Draft report | Submission of Final Draft Report detailing | Within 30 days |

| | | |
|---|--|--|
| | out project identification, appraisal and selection and prioritization guidelines incorporating reviews and feedback from the first workshop and other source materials | after submission of the Interim Report. |
| Conduct Sectoral Workshop for discussion and review on the final draft report (2 nd Workshop) | Collection of review and feedback in the workshop with participation from sector related governments agencies to be incorporated in Final Report. Close discussion on final draft report with NPC and sector line ministry at policy level | Within 15 days after Submission of Final Draft Report. |
| Final Report | Submission of final report incorporating all the reviews and feedback received from 2 nd Workshop and close discussion | Within 15 days after submission of the Final Draft Report. |
| Final Validation Workshop for the entire assignment (3 rd Workshop) | Conduct final validation workshop with all stakeholders, including NPC, MOF, line ministries, OAG, the World Bank, ADB, etc. | Within 15 days after submission of the final draft report. |

The unified sectoral guidelines and manuals shall be produced along with the final report. Training to NPC and sectoral key person/s to impart knowledge and on use of guideline shall be conducted at appropriate time as agreed with NPC during the assignment.

8. Key Qualifications and experience of the Consulting Firm and its Team

A. Consulting Firm

The consulting firm should have the experience of at least 5 years of recent working experience in the field of project appraisal or project development or project appraisal guidelines.

B. Key Qualifications of key Consultant team

1. ***Team Leader (Investment Project Analyst)***: Masters in Business Administration (MBA) or Masters in Development Economics or Masters in Public Policy. Preferred PhD in relevant field, Work experience of more than 5 years in public sector, Extensive expertise, knowledge and experience of PFM basically in planning, developing project appraisal documents (PAD), detail project report (DPR), developing project appraisal procedures and guidelines, developing project implementation plan (PIP). Knowledge of PFM related acts, rules, procedures, guidelines, systems, etc. Knowledge and skill of project identification, appraisal, selection and prioritization for budgeting in national and international practices. Skill of investment project analysis, feasibility study of projects, project costing, use of project evaluation techniques, developing project appraisal documents, and monitoring and evaluation of project.

2. **Investment Project Appraisal Expert/Financial Risk Analyst-1:** Masters in Business Administration (MBA) or Masters in Development Economics or Masters in Public Policy. Extensive expertise, knowledge and experience of developing project appraisal documents (PAD) and detail project report (DPR). At least 5 years of experience in the area relevant to the assignment; Excellent English language skills both verbal and written. (Input-Three weeks). At least 5 years of strong track record and experience in the area of developing project concept, project proposal, investment project analysis, use of project evaluation techniques, developing project appraisal documents etc.
3. **Project Analyst (National Expert-1):** Masters in Business Administration (MBA) or Masters in Development Economics or Masters in Public Policy. Preferred PhD in relevant field. Extensive expertise, knowledge and experience of developing project appraisal documents (PAD), detail project report (DPR), developing project appraisal procedures and guidelines, developing project implementation plan (PIP) and project analysis. Minimum 5 years of working experience in relevant field of public sector.
4. **Different Sector-wise Experts (National-7 -inputs of each for 2 months):**

| S.N. | Sector | Qualification and Experience |
|------|-------------|--|
| 1. | Agriculture | Masters in related field. Work experience of at least 5 years in related field. At least 5 years of strong track record and experience in the area of developing project concept, project proposal, investment project analysis, use of project evaluation techniques, developing project appraisal documents etc. |
| 2. | Energy | Masters in related field. Work experience of at least 5 years in related field. At least 5 years of strong track record and experience in the area of developing project concept, project proposal, investment project analysis, use of project evaluation techniques, developing project appraisal documents etc. |
| 3. | Industry | Masters in related field. Work experience of at least 5 years in related field. At least 5 years of strong track record and experience in the area of developing project concept, project proposal, investment project analysis, use of project evaluation techniques, developing project appraisal documents etc. |

| | | |
|----|-------------------|--|
| | | |
| 4. | Irrigation | Masters in related field. Work experience of at least 5 years in related field. At least 5 years of strong track record and experience in the area of developing project concept, project proposal, investment project analysis, use of project evaluation techniques, developing project appraisal documents etc. |
| 5. | Social Sector | Masters in related field. Work experience of at least 5 years in related field. At least 5 years of strong track record and experience in the area of developing project concept, project proposal, investment project analysis, use of project evaluation techniques, developing project appraisal documents etc. |
| 6. | Transport | Masters in related field. Work experience of at least 5 years in related field. At least 5 years of strong track record and experience in the area of developing project concept, project proposal, investment project analysis, use of project evaluation techniques, developing project appraisal documents etc. |
| 7. | Urban Development | Masters in related field. Work experience of at least 5 years in related field. At least 5 years of strong track record and experience in the area of developing project concept, project proposal, investment project analysis, use of project evaluation techniques, developing project appraisal documents etc. |

9. Specific Inputs by the client

NPC shall provide necessary support in arranging consultative meetings with concerned officials at NPC and concerned line ministry and other agencies. The duty station of the consultant shall be mainly in Kathmandu. S/he may opt for distance mode of working or work at NPC premises. In case of working at NPC, s/he shall be provided necessary working space and other logistics. The consultant

is expected to use own computer and other equipment required for the task. The consulting firm has to manage necessary logistics and other costs for required travel outside Kathmandu in connection with the assignment.

10. Estimated Cost of Service and Payment

Estimated Total Cost of the Service should not exceed US\$ X,00,000.00 (In Words, United States Dollars XXXXXX thousand only) inclusive of all cost. It will cover all costs for remuneration, travels and other reimbursable expenses.

The payments will be made in installments based upon outputs/deliverables as specified in the TOR and as per payment schedule of Contract Agreement duly signed for this assignment.

11. Evaluation Method and award of the work

Applicants will be evaluated on the basis of institutional capacity and proven experience and expertise in the relevant work along with the financial proposal.

12. Consultant Selection Method

For accomplishing the above mentioned assignment, the consulting firm shall be selected through Consultant's Qualification based Selection the Selection (CQS) method as per the World Bank procurement regulations.

Annex 1: Performance Indicator of Public Investment Management (PIM) under PEFA Framework 2016

Public investments are key prerequisites for achieving and sustaining economic growth, achieving strategic policy objectives, and addressing national service delivery needs. During periods of economic contraction, countries strive to protect fiscal resources for addressing investment needs. During periods of expansion, countries typically need to prioritize among many worthwhile investments. There is a variety of different national approaches to public investment management (PIM). However, there are common features in terms of the functions they carry out.

PEFA assessment framework 2016 has identified public investment management as one of the major PFM performance measurement indicator (**PI-11**). Under this indicator, the economic appraisal, selection, costing and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects will be assessed. The result of this indicator is aggregated of four sub-indicators.

Economic analysis of investment proposals is one of the sub-indicators which assesses the extent to which robust appraisal methods, based on economic analysis, are used to conduct feasibility or prefeasibility studies for major investment projects and whether the results of analyses are published. There are different types of economic analysis with different coverage and areas of emphasis. These include analysis of economic externalities—sometimes referred to as social or economic costs and policy benefits—and health and environmental impacts such techniques are cost–benefit analysis, cost-effectiveness analysis, and multi-criteria analysis, etc. Current used analyses are more relevant and must be reviewed and decided by an entity other than the sponsoring entity like NPC.

Next sub-indicator of **investment project selection** assesses the extent to which the **project-selection process prioritizes** investment projects against **clearly defined criteria**. Rigorous and transparent arrangements for the selection of investment projects aim to strengthen the efficiency and productivity of public investments. The sub-indicator requires that governments carry out a central review of major investment project appraisals before including projects in the budget submission to the legislature. It also requires that governments publish and adhere to standard criteria for project selection.

“Standard criteria” refers to a set of formal procedures adopted by government that are used for every project or group of related projects with common characteristics within and across central governmental units.

Sub- indicator of **investment project costing** evaluates whether the budget documentation includes medium-term projections of investment projects on a full-cost basis and whether the budget process for capital and recurrent spending is fully integrated.

Sound budget management requires the preparation of comprehensive and forward-looking project budget plans for capital and recurrent costs over the life of the investment. Projections of recurrent cost implications from projects are needed to plan and incorporate these costs into budgets going forward. Solid budget and cash-flow management, as well as cost-benefit analysis, depend on comprehensive financial analysis of investment projects.

Sub-indicator of **investment project monitoring** assesses the extent to which prudent project monitoring and reporting arrangements are in place for ensuring value for money and fiduciary integrity. The monitoring system should maintain records on both physical and financial progress, including estimates of work in progress, and produce periodic project-monitoring reports. Monitoring should cover projects from the point of approval and throughout implementation. The system should allow supplier payments to be linked to evidence of physical progress. Such a system should also identify deviations from plans and allow for identification of appropriate actions in response. The issue of consistency of investment projects with national or sector policy objectives and assets management is to be addressed.

Annex 2. Integrated Frameworks for Project Identification, Appraisal, and Selection and Prioritization

(i) Guideline for preparation of Project Concept Note (PCN)

As a final output of Project Identification process, PCN is required to be prepared by the executing line ministries and submitted to the NPC for approval. Appropriate process and templates for the sector should be outlined and defined in detail. Appropriate procedures and steps to determine responsiveness of the proposed project to national objectives of poverty alleviation, sustainable development goals, employment generation, income redistribution, etc should be defined in project identification stage and preparation of the PCN. The integrated framework for project identification stage as provided in the general guidelines is shown in Framework 1.

Framework 1: Integrated framework for project identification

| Stage | Expected Output | Responsibility | Process | Template | Approval Protocol |
|------------------------|----------------------------|--|---|--|---|
| Project Identification | Project Concept Note (PCN) | Concerned line ministry Provincial government | I. generation addressing development need II. Strategic fit assessment III. Preferred options selection | Idea for screening sources Criteria for strategic fit assessment Preferred options selection assessment Generic | PCN of individual projects has to be submitted by line ministries through planning division to NPC NPB unit to obtain "in-principle" approval (GATE 1). |

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|--|--|---|---|
| | <p>IV. Pre-feasibility/ Desk study (Alternative analysis for short list of best options)</p> | <p>Checklist of Pre-Feasibility Study</p> | <p>PCN should be produced after pre-feasibility study done by internal experts of line ministries.</p> |
| | <p>V. Development of Project CONCEPT NOTE (individual project)</p> | <p>Project Concept Note (PCN)</p> | <p>NPC may approve, reject or suggest revising the PCN.</p> |
| | | | <p>Project to be carried out to next stage only after the approval of PCN.</p> <p>Following approval of the PCN, NPC coordinate with the Ministry of Finance for allocation of required budget for project study and development.</p> |

Roles and responsibilities of concerned department/s including planning division of the sector, and workflow and procedures in preparation of the PCN in the concerned line ministry should be worked out and should be discussed with the line ministry and presented in the report.

(ii) Guideline for preparation of Project Proposal (PP):

As a final output of project appraisal process, PP is required to be prepared by the executing line ministries and submitted to the NPC for approval. Appropriate process and templates for the sector should be outlined and defined in detail. The integrated framework for project appraisal is provided in Framework 2.

Framework 2: Integrated framework for project appraisal

| Stage | Expected Output | Responsibility | Process | Template | Approval Protocol |
|-------------------|---|-------------------------|---|---|---|
| Project Appraisal | Feasibility study report of preferred option(s) | Concerned line ministry | Technical feasibility analysis | General template for feasibility study report & detail project report | Concerned authority of line ministry approves the feasibility study DPR shall be prepared only after the approval of feasibility study |
| | | | Financial feasibility analysis | | |
| | | | Economic feasibility analysis | | |
| | | | Environmental & Social analysis | | |
| | | | Implementation/ Institutional arrangement | | |

| | | |
|-------------------------|---|--|
| Detailed project report | Risk assessment | Project proposal form with detailed feasibility/ DPR should be submitted to NPC for approval (GATE 2) for implementation and resource allocation |
| Project proposal | Review by NPC (internal and external reviews) | |

Specific templates and procedures for feasibility study and detailed project report are required to be developed. The following area must be covered.

- Review existing framework, procedures and practice of feasibility study in different sectors.
- Review existing “Standard criteria” adopted by government that are used for every project or group of related projects with common characteristics within and across governmental unit involved in different sectors,
- Set appropriate procedures and steps for evaluating technical aspects of the projects to ascertain technically feasible, workable and that its operations and maintenance can be sustained with cost effectiveness and does not adversely affect the environment and/or that appropriate measures are taken to protect the environment.
- Set appropriate investment project costing with full cost basis (Capital and Recurring costs).
- Set appropriate procedures and steps for assessing the financial viability of project;
- Set appropriate procedures and steps for economic appraisal of the project to ascertain their desirability in terms of its net contribution to the economic and social welfare of the country as a whole;
- Set appropriate procedures and steps for environment and social appraisal of the project
- Set appropriate procedures and steps for risk assessment. Propose appropriate institutional arrangement for project implementation

- Set appropriate procedures and steps to conduct re-evaluation or re-assessing the on-going capital expenditure program/project for better operation;
- For Project Proposal preparation, appropriate template and checklists for the sector should be developed.

(iii) Guidelines for selection and prioritization of projects

Following the submission of PP by the executing line ministry to NPC, projects are prioritized and selected for inclusion in the National Project Bank. The integrated framework for selection and prioritization of projects is provided in Framework 3.

Framework 3: Integrated framework for project selection & prioritization

| Stage | Expected Output | Responsibility | Process | Template | Approval Protocol |
|------------------------------------|--|-----------------------|--|----------|--|
| Project Selection & Prioritization | Project Portfolio of National Project Bank | NPC & line ministries | Prioritization criteria to be adopted as defined in annex 12, MTEF | | The selected projects are recommended for inclusion in Periodic Plan and MTEF. |
| | | | Development of Prioritization method | | |
| | National Project Inventory | | Project readiness assessment methods and criteria defined | | |
| | | | Project readiness assessment | | |
| | | | Selection & ranking of projects | | |

- Review of existing project prioritization criteria for resource allocation for the most needed or demanded areas and better and productive results and benefits.
- Develop project readiness assessment framework and criteria.
- If appropriate develop and propose multi-criteria analysis for project selection and prioritization in the Sector.
- Develop appropriate methods, tools and techniques for project selection and prioritization.

In case of ongoing projects, Project Reprioritization is being proposed in the guidelines for their logical conclusion in an efficient and effective allocation of available resources based on their priority and completion status. Consultant has to propose suitable approach for the same or suggest ways to improve the reprioritization approach adopted in the general guidelines, if the current approach deemed inappropriate.