Guide to conducting feasibility studies

'Funding key development projects of private executing agencies' (PT) and
'Funding long-term civil society projects' (PT-LDC) programmes, on behalf of the
Federal Ministry for Economic Cooperation and Development (BMZ)

This guide is designed to provide assistance when conducting feasibility studies commissioned prior to project implementation in accordance with the funding requirements for private executing agencies (PT) and private executing agencies-least developed countries (PT-LDC).

The aim of feasibility studies is to provide German private executing agencies and their local project partners with a solid **basis for enhancing the project concept** by clarifying requirements, opportunities and risks, and offering guidance on optimising the concept, where necessary.

In particular, this involves an assessment of the feasibility of a project and a systematic review of the extent to which the project approach can plausibly achieve the planned improvements under the existing prevailing circumstances. The **joint learning** from the insights gained increases the effectiveness of projects and enables poor investments to be avoided at an early stage.

The feasibility study should be conducted in accordance with the existing need for insights, taking appropriate account of existing studies, such as external evaluations. This can be done by focusing the study on questions which remain as yet unanswered or, after consultation with bengo, by accepting existing studies as a partial or complete substitute for a feasibility study.

1. Formal criteria for feasibility studies

- **Feasibility studies are mandatory for every application for funding of at least € 500,000 .** In isolated cases, Engagement Global (bengo) or the Federal Ministry for Economic Cooperation and Development (BMZ) may also have reason to call for a feasibility study to be conducted even if the funding application is for less than € 500,000.
- In accordance with the basic funding requirements, costs for all feasibilitystudies conducted by independent experts must be not more than 10% of the anticipated project funding. However, the costs should be appropriate to the scope and complexity of the planned project. The **costs can be included into the financial plan as expenditure eligible for grant funding** and subsidised by the grant after the project has been approved. The study may be invoiced up to 12 months prior to application submission.
- The prescribed awarding procedure for commissioning the study must be followed (see point 3 of the BNBest-P/Private Executing Agency in the funding requirements).
- The study shall be conducted by **independent reviewers**.
- A report on the study must be submitted to bengo as part of the applicationand shall not exceed more than 30 pages.

- In addition, the private executing agency must attach a summary in German with the key points. If the report is not written in a common lingua franca (English, French, Spanish), a full translation is required.
- It is essential that the insights gained from the study are incorporated into the project concept developed jointly with the local executing agency. The recommendations should be evaluated during project planning and included in the appropriate places in the application. Information must be provided on request regarding the selection of reviewers, implementation and services provided, including the data and results of the study.
- The study will not be accepted, if it does not meet the requirements on quality or independence..

2. Tendering and overseeing feasibility studies

- **Specification of expected services, time line and costs:** list and explain the products, services and activities (e.g. in the form of a table) that are to be provided by the applicant, including time line and invoicing procedures.
- **Description of requirement profile of independent reviewer:** technical, organisational, methodological and regional expertise; evidence of independence, composition, roles and functions of all individuals involved.
- **Provision of preparatory documents:** national strategy/policy papers, background papers, literature references, documents from earlier projects, methodological guidelines where applicable, structuring points (see Section 4), previous drafts/plans/project or application outlines etc.

3. Project-specific criteria for feasibility studies

- The study should present the context of the planned project at **all relevant levels** (micro-, meso-, macro-) and incorporate essential, project-relevant data on the initial situation.
- This foundation is used to develop an analysis evaluating the extent to which the proposed approach can contribute to solving the problem for the beneficiaries and other stakeholders. Furthermore, a critical examination of the project should be provided, with respect to the OECD DAC[1] criteria of relevance, coherence, effectiveness, efficiency, impact and sustainability (see point 5).
- Furthermore, **recommendations for adjustments to the specific project concept, including impact matrix and project measures,** should be formulated as concretely as possible. The stakeholders involved, opportunities and risks, as well as suggestions for the range and scope of monitoring on outcome and impact measurement, should be considered.

[1] Organisation for Economic Cooperation and Development and its Development Assistance Committee

4. Structure of the study and guidelines

The guiding questions below are for orientation purposes to assist in designing the content of the study. They should be seen as a collection of questions from which you can prioritise those that are relevant for data collection, data analysis and evaluation.

4.1 Purpose and use of the feasibility study

- What is the project objective (outcome) that will be assessed for feasibility? How conducive is the context (sector, components, project regions) with regard to the projects' objective?
- What additional questions should the feasibility study address concerning the design and implementation of the intended project?
- How does the feasibility study fit into the project plan in terms of shared learning?

4.2 Methodology

- What participatory methods, tools, and resources will be used for data collection and analysis?
- Which, and how many stakeholders will be involved? What are their backgrounds and interests?

4.3 Initial situation and problem analysis, on macro- meso- and micro-levels

- What current problems of the beneficiaries have been identified relevant to the proposed project ? Which of the causes of these problems will be prioritised and addressed in the project?
- What existing local potential, structures (institutions, networks, umbrella organizations etc.) and social mechanisms can be built on? What gaps have been identified in the system?
- Are there any approaches or results from previous development measures? If yes, how can they be extended?
- What other circumstances, for example conflict dynamics, must be taken into account in the context of?

4.4 Local project partner in the partner country

- Which organisation(s) have been selected as local project partner(s), and why? Who suggested the idea for the project? How will you improve the local project partner's ownership?
- Do any formal agreements exist between the stakeholders? To what extent have existing agreements between stakeholders been formalised?
- Are the partners' resources and strengths, both individually and at an organisational level, well understood?
- What relevant professional, methodological and political competencies, both at an individual and an organisational level, will be further developed?

4.5 Beneficiaries and other stakeholders (on a micro-, meso- and macro-level)

- How are the direct beneficiaries selected, and by whom? What criteria exist for selecting these beneficiaries?
- What is the composition of each beneficiaries? How homogeneous or heterogeneous is the beneficiaries with regard to factors such as gender, ethnic origin, age, sexual orientation, language, and capacity, and to what extent must the project take this into account?
- What potential does each beneficiaries have for self-help? How well are the beneficiaries equipped for self-help? How can local problem-solving capabilities be improved

- Do the beneficiaries and other stakeholders have a common understanding of the problems, prioritising process and objectives of the project? Do the interests of other stakeholders align? Do any conflicts of interest exist?
- How strong is the various stakeholders' support for the project, for example, in terms of their own contribution? In what ways might they influence the project?

5. Evaluation of the planned project based on OECD DAC criteria[2]

The guiding questions on the criteria are for orientation purposes to assist in designing the content of the study. They should be seen as a collection of questions from which you can prioritise those that are relevant. This allows for different weighting of the criteria according to the study's particular focus.

Relevance – To what extent is the planned project doing the right thing?

- Will the planned project approach address a key development problem or a significant developmental bottleneck in the partner country or region?
- Are the focus, priorities and objectives (approach) of the planned project clearly defined and aligned with the beneficiaries?
- To what extent do the intervention objectives and design adequately take into account the specific needs of the beneficiaries and any structural obstacles in the project region, partner/institution, or policy programs?
- Are the norms and standards of the approach compatible with those of the beneficiaries?
- Is the project designed to be conflict-sensitive (Do No Harm Principle)?

Coherence – how suitable is the intervention?

- How consistent are the planned activities with human rights principles (inclusion, participation), and any conventions or relevant standards/guidelines?
- To what extent do synergies and connections exist between the planned project and other interventions by the same stakeholder (organisation) and other stakeholders?
- What similarities or overlaps exist between the beneficiaries and projects implemented by other stakeholders in the same context? To what extent does the intervention add value and avoid duplication?

Effectiveness – which project approach is best for achieving the objectives?

- Are the cause-effect relationships (including assumptions) plausible? What negative effects might arise?
- Is the chosen methodological approach suitable and sufficient for achieving the project objective? Are alternatives required?
- At what level (multi-level approach) do you anticipate implementing additional measures to increase effectiveness?
- How will changes be measured? What indicators (fields) are most suitable?

[2] Detailed information on the evaluation criteria can be found at www.oecd.org/development/evaluation/dac-criteriafo- revaluatingdevelopmentassistance.html

Efficiency – is the proposed project's planned use of funds a cost-effective method to achieve its objectives?

- To what extent can the planned measures be implemented with the envisaged funds and personnel in the proposed time period?
- To what extent can the envisaged spending be allocated cost-effectively, and are the investments, operating expenses and personnel in proportion to the intended goals?

Impact (significance) – what contribution does the planned project make to achieving higher-level development policy impact?

- What particular contribution does the project objective (outcome) make to the overall objective (impact)?
- To what extent does the planned project build structures, set examples and have a broad impact? On what levels will norms or structures be changed?

Sustainability – to what extent will the positive impact remain once the project has ended (without additional external funding)?

- How can the sustainability of the results and impact be ensured and strengthened (structurally, economically, socially and ecologically)?
- What long-term capacities will be established in the beneficiaries to enable them to continue the implemented measures independently?
- What positive changes (role behaviour, mechanisms, networks, etc) will be of long-term benefit to civil society?
- What personal risks for those implementing the project, or institutional or contextual risks, may influence the sustainability of the project? How can these be minimised?

6. Recommendations

On the basis of the main findings on topics 3 to 5, and the evaluation according to the DAC criteria, what **concrete suggestions** can be made or incorporated into the project concept in its specific context? Examples:

- What components, if any, are missing from the project concept to make the cause-effect relationships more coherent and to sustainably achieve the planned objectives? What planned components are not suitable or may have a negative impact, and for what reasons?
- Can the assumptions of cause-effect relationships be supported?
- What findings and project-relevant data from the study are suitable for inclusion in the project logic (impact matrix of the project proposal)? What are the recommendations for possible impact monitoring and data collection indicators?