This procedural guide is intended to provide guidance on carrying out feasibility studies that are commissioned, prior to project implementation, under the BMZ’s 1 budget for development projects run by private organizations. The procedural guide is being introduced in 2018 on a pilot basis and will be further developed, if necessary, based on the experience gained with its application.

The purpose of a feasibility study is to provide the private organization in question with a sound basis for developing a project concept, by identifying project prerequisites, opportunities and risks. This enhances project effectiveness and helps avoid bad investment decisions from the start.

I. Formal criteria for feasibility studies

- Whenever an organization applies for BMZ match funding equal to or exceeding 500,000 €, a feasibility study is mandatory.
  In individual instances, Engagement Global – bengo or BMZ may also require an organization to conduct a feasibility study if the volume of funding requested is below 500,000 €, especially if it is just a little below that amount.
- The costs of the feasibility study should be appropriate to the volume and complexity of the project in question and should not exceed two per cent of the total project budget. The costs of the feasibility study may be included in the financial plan as expenses that are eligible for grant funding, and after the project has been approved, grant funding can be used towards these costs. The statement of accounts for the costs of the study must be submitted within the year in which the application for the project grant was handed in. The award procedure for the feasibility study must comply with the award criteria applicable to measures funded by BMZ grants.
- Feasibility studies should be carried out by independent consultants who have the requisite technical, methodological and practical expert knowledge and are well familiar with the region in question.
- The report on the study must be no longer than 15 pages and has to be annexed to the application submitted to bengo. For programs comprising 1.5 million € or more, the study report should normally be no longer than 30 pages.
  Bengo does not provide comments on the study itself. Bengo's feedback is limited to assessing the associated funding application.

II. Criteria for the award procedure and the management of feasibility studies

- Specification of expected deliverables, timeline and costs: List and explain the products, services and activities (for instance in a spreadsheet) which the consultant(s) has/have to provide or carry out, including a timeline and an overview of costs.
- Description of consultant(s) profile: technical, organizational, methodological and other skills needed, independent status, team composition and respective roles and tasks of all those involved.
- Provision of preparatory documents: Provide national strategy and policy papers, background papers, lists of reference documents, documents from predecessor projects, methodology guideline (if available), study template (see section V), etc.

1 BMZ: German Federal Ministry for Economic Cooperation and Development
III. Criteria for the content of feasibility studies

- The focus, scope and depth of a feasibility study should be appropriate to the complexity and volume of the project in question and consider the political, economic and cultural context.
- The study should analyze the situation, the problem(s) resulting thereof and the target group and stakeholders. It should include a baseline study (for instance as an annex), and critically review the planned project in terms of the OECD/DAC criteria of relevance, effectiveness, efficiency, impact and sustainability (see http://www.oecd.org/dac/evaluation/49756382.pdf).
- On that basis, the study should provide recommendations for the project concept and project measures.

IV. Template and key questions for feasibility studies

If possible, the study should follow the structure set out below. The key questions under each heading need not be used in full. They are intended to provide guidance and should be seen as a set of questions from which to select priority questions addressing the focus of the study.

1) Purpose, objectives and utilization of the study
   - What is the rationale or the specific reason for conducting the feasibility study, and what are its objectives?
   - Who will use the findings? In what way? For what purpose? This question should be reviewed, in particular, with regard to potential utilization of the study for the development of project application, the project concept and for project implementation.
   - What will be the scope of the study in terms of timing and geographical coverage? What specific (sub)areas or (sub-)sectors will be given special attention?
   - What methodology will the study be based on?
   - What earlier experience from similar projects and programs and from other studies and analyses etc. should be used as a basis for drawing up the feasibility study?
   - What specific recommendations can the study provide for the organization carrying out the project with a view to planning and implementing the project?

2) Context and problem analysis
   - What is the (current) situation in the sector/region/country in question? What does the socio-economic, political and cultural context look like?
   - What problems have been identified? What are their causes and how do they impact on the living conditions of population groups? Which population groups?
   - What needs have been identified based on the problem analysis? How were these needs identified (or how will they be identified)?
   - What is the background of, and what has led to, the planned project and its impact logic? Who proposed the original project idea?
   - Are there any alternatives to the planned project or any of its components?

3) Project-executing organization in the partner country (local executing organization)
   - Which local organizations are suitable implementing partners and why? How much capacity do these organizations have in institutional, technical, staffing and financial terms?
• What measures are needed to build the local partner’s organizational and general capacity?
• To what extent do local implementation partners identify with the project (ownership) and are committed to making it a success?
• What is the relationship between the local partners and the target group/stakeholders? (Legitimacy)
• Is there an overlap or conflict of interests? How can interaction and coordination between the partners and the stakeholders be improved?

4) Target group and stakeholder analysis

a) Target group
• What is the target group for the project? What criteria are used in the selection of the target group? Are there possibly several target groups affected in different ways by the problems?
• How homogeneous or heterogeneous is the target group in terms of gender, ethnicity, age, sexual orientation, language, capacity, etc., and how will the project need to respond to this?
• What are the needs of the target group? How can these needs be addressed?
• What is the role of the target group(s) in the broader social context? What conflicts of interest could arise between the target group and other, non-target groups as a result of the support provided through the project?
• What is the target group’s potential especially with regard to ownership/initiative, self-help activities and local problem-solving capacity? How can this potential be strengthened?

b) Stakeholders
• Who are the main governmental and non-governmental stakeholders in the sector and beyond – at the project location, in the project region and the project country?
• How does the planned project fit in with the government development strategy?
• What are the interests of the stakeholders? Are there any visible conflicts of interest? What interdependencies are to be expected between the project and other interventions/projects supported by the stakeholders? How will this be taken into account in the project concept?
• Do the stakeholders share a common understanding of the problem(s) and of the project objectives derived thereof?
• How strong is the various stakeholders’ support for the project? How much influence could they exert on the project? Have the stakeholders already entered into any agreements?

5) Assessment of the planned project based on OECD/DAC criteria
(see http://www.oecd.org/dac/evaluation/49756382.pdf)

a) Relevance: Are the planned project activities appropriate for addressing the problem?
• Does the project approach address a key development problem or constraint in the partner country or region?
• Is the approach in line with the needs of the target groups?
• What changes are planned to have been accomplished by the project after it has been completed?

b) Effectiveness: What is the most suitable project approach to achieving the objectives?
- Are the measures and the chosen methodology suitable for reaching the project objective? Should activities be planned at the meso and/or macro level (multi-level approach) in order to make the project more sustainable?
- Will use be made of synergies with interventions supported by other donors or programs?
- What measures does the study recommend with a view to achieving objectives?
- What impact logic/impact hypothesis should the project be based on? What could a meaningful logical framework look like, including suitable and informative indicators (presentation of a first rough draft of indicators and baseline data)?
- Who will monitor impacts? When? At what intervals? (Impact monitoring)

c) Efficiency: Can the objectives be achieved in an economically efficient way through the planned project?
- What financial, institutional and human resources will be needed?
- Will it be possible to implement the planned measures within the time allocated for the project and based on the resources that are planned? Will it be possible to achieve the desired impacts, and will all that be possible in an economical and efficient manner (in terms of cost-benefit ratio)?

d) Significance / overarching development impact: Will the project help achieve broader development impacts?
- Which objectives and impacts derived from the problem/needs analysis are to be achieved, and for what target groups?
- To what extent will the project have a structural impact, to what extent can it serve as a model, and to what extent will it have a broad-based impact?
  Would it be advisable to pursue a multi-level approach (micro, meso and macro levels) in order to increase significance and effectiveness?
- To what extent have aspects relating to gender sensitivity, inclusion of persons with disabilities, cultural sensitivity, conflict sensitivity and human rights been incorporated in the project’s objectives?

e) Sustainability: Will the positive impact last after the project has been completed (without further external support)?
- How can sustainability of results and impacts be ensured and reinforced (in institutional, economic, social and environmental terms)?
- What are the roles and responsibilities of governmental and/or civil society institutions? To what extent will the project be able to build on local potential, institutions and procedures?
  What measures and instruments are best suited to harness and strengthen local ownership and initiative, participation, and capacity?
- Which socio-cultural barriers may impede the planned approach, and how can they be overcome?
- What negative consequences and impacts might result from project implementation? To what extent will it be possible to consider and address these risks in the project/project concept (e.g., Do No Harm approach, conflict-sensitive impact monitoring, etc.)?
- What risks are involved in project implementation (personal risk for those implementing the project, institutional and reputational risk, contextual risk)? How can they be minimized?