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**Terms of Reference for the Development  
of the Public Investment Management  
Operational Manual (PIM\_OM)**

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President's Office  
Planning Commission  
Dar es Salaam, TANZANIA

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## **1. Background**

The management of public investments in Tanzania has, over time, been located in different institutions i.e. Ministry of Finance (MoF), President's Office, Planning Commission (POPC), Prime Minister's Office (PMO) and government Ministries, independent Departments and Agencies (MDAs) and Local Government Authorities (LGAs). The lack of a central mechanism to guide the translation of plans into strategic, prioritized public investments implies that the public funds are not allocated efficiently. Yet proper economic and financial analyses of development projects/programmes are critical for objective project selection and prioritisation and for ensuring value-for-money of public funds. It has also become difficult to develop a system of collecting and storing information about the current and potential investment projects.

As a result, there has not been a common standard approach to preparing and presenting development project/programme proposals for inclusion in the development budget. Capacity in preparing project documents is also weak amongst many departments of government, mainly at the directorates of planning/policy. This became evident, for instance, during the analysis of the submissions of the MDAs and LGAs of the action plans and cash flows for their 2012/13 development budgets as per the directives of the authorities. This problem partly explains delayed disbursements particularly in cases where proper action plans/cash flows, progress reports and project documents, are weak.

The Public Expenditure Review of 2010 (PER 2010) identifies a critical need for a coordinated institutional framework for public investment programming to allow a more efficient way of assessing, prioritising and implementing all public investments. The coordinated framework should have as one of its pillars a common approach to developing proper, fundable and bankable proposals of development projects and programmes for financing through the budget and through other sources such as local and foreign financial institutions, including private investors.

POPC is expected to play a pivotal role in strategic prioritization and coordination of development projects/programmes. POPC therefore seeks to lead the task of addressing the capacity gap problem by championing the preparation of the Public Investment Management Operational Manual (PIM\_OM) as a first step to be followed by a medium-term capacity development strategy; it is primarily dedicated to POPC, MDAs and LGAs in public investment analysis and management. The Operational Manual should serve both as an instrument around which government officials and other users converge, presuming also that the envisaged coordinated institutional framework for public investment management would have the Operational Manual as one of the key pillars.

## 2. Purpose

This “*Terms of Reference*” is dedicated to the development of the **Public Investment Management Operational Manual**. The manual aims at ensuring that the implementation of economic and financial analyses of public investment projects is mainstreamed amongst the MDAs and LGAs.

The manual will guide government officials in MDAs, regional secretariats and LGAs who prepare development projects/programme proposals for inclusion in the budget. It will include procedures and regulations and methods/tools of economic, financial, social and environmental analyses of public investment projects. It will also develop a framework to assess risk and develop mitigating measures as part of investment design. Further, the material will provide reference for potential Public-Private Partnership (PPP)-based investment interests and Development Partners in the entire context of public expenditure management. The PIM-OM serves also as PRSC-11 trigger and PAF13).

## 3. Objectives and Scope

The objective of the PIM\_OM is to guide government officials and institutions particularly the POPC, MDAs and LGAs, on the basic standards, methods (tools of analysis) and procedures involved in programming and evaluating public investments.

Specific objectives of developing the manual can be stated as follows:

- (i) To serve as a common point of reference for the coordination of all public investments, using transparent procedures under existing laws and regulations;
- (ii) To elaborate on the laid-out procedures for inclusion of public investment projects/programmes in the development budget at central or local government levels (e.g. in relation to Budget Guidelines, budget cycle timing, consistency etc.)
- (iii) To enhance the capacity of government officials in the knowledge and practical application of proper technical methods (tools) of economic and financial analyses for public investments;
- (iv) To provide guidance on the links between public investment and the Public-Private Partnerships (PPPs).

The consultancy will also develop a plan for operationalizing the public investment management operational manual.

The targeted users are planners expected to have graduated in economics, finance, management, statistics, or planning in sector specialisation such as in health, education, water, transport etc. and are therefore able to comprehend and apply related technical

instructions.

#### **4. Deliverables and Reporting**

An operational manual is developed for use by technical staff in government and is disseminated.

##### ***Proposed Content/Outline***

Below is a suggested outline for the *Public Investment Management Operational Manual document*. This should be used as a guide only and not seen as prescriptive. However, the consultant will bear in mind the importance of having common features of project document and minimum economic, financial, etc. analyses that are “binding”, making it easy for management, but sufficiently flexible to allow planners to handle sector-specific peculiarities depending on, for example, the nature of inputs, outputs, pricing, quality and quantity attributes etc. We expect the consultants to be innovative around this framework.

##### ***I. Introduction (definitions)***

Concepts/definitions (*public projects, project cycle/management*): Possible items to be covered include:

- (i) Definition of public investment project and programme
- (ii) Classification of public investment programmes (by size or amount of money going into the project/programme? Or any other criterion if specified (say by law?))
- (iii) Organizations involved in public investment management and their roles (as provided for by law):
  - Specific MDAs (Ministry in charge of planning & Ministry in charge of finance)
  - Sector ministries’ investment plans particularly the Planning Departments/Divisions (in Tanzania, Directorates of Planning and Policy)
  - Regional and Districts secretariats (LGAs) investment plans, and handling of village level development projects)
- (iv) National development plans/strategies and public investment projects/programmes) as components; to underscore the relevance or priority-status given by policy;
- (v) Project cycle: (planning, implementation, completion, operation and management (O&M))

- (vi) Processing of a project for selection: collection of information, rationale for intervention (e.g. what is the market failure), assessment of possible options (using agreed criteria), followed by comparative rating, final decision made (project selected).

## II. *Project Planning and Management and Evaluation*

*(What is does it mean? What is involved? With case studies as demonstration; sector-specific situations)*

- (i) Project planning – project conceived and identified, (specifically identifying the market failure being addressed by the intervention), feasibility study or studies (FS) made in beneficiary areas, inputs, outputs; data collected–economic/financial/social and environmental; consistence with national/regional/local govt plans, implementation constraints identified etc.).
- (ii) Development of log frame with results and milestones
- (iii) Assessment of risk and mitigating measures
- (iv) Implementation , periodic (quarterly) progress reports
- (v) Project completion and completion check (actual against plan)
- (vi) Operation & Maintenance (O&M) arrangements
- (vii) Analyses of arrangements for *sustainability* (financial, economic, environmental considerations).

## III. *Project Evaluation*

M&E: periodic technical evaluation and reports - as required (quarterly, semi-, annual) by regulations (government, financiers)

Lesson-learning and feeding this into the design of new projects

## IV. *Technical Approaches to Public Investment Analysis*

Steps involved in Cost-Benefit Analysis (principles, identifying and valuing costs and benefits, Net Present Value (NPV), benefit/cost ratio, Internal Rate of Return (IRR), analysis of risk; financial appraisals; and measures like cost-effectiveness, value for money assessment and multi-criteria analysis.

- This is probably the most technical of all sections/chapters. It requires knowledge of quantitative methods and the intuition behind the methods. Simple presentations need to be made to ensure that users can easily comprehend and apply the minimum essentials.

N.B. The tools/techniques in economic and financial analyses should be

pursued at higher levels for those who later will be trainers (selected from POPC and central ministries).

V. *Project financing*

How to handle different kinds of project financing (debt financing, foreign/donor financing, how to handle PPP projects) – refer to existing laws and regulations in Tanzania.

VI. *Reporting formats*

How to capture (what) key information for new, on-going and completed projects; information also to be available for analyses of impacts and M&E and *project data base*.

VII. *Procedures for linking with the Budget* (development budget and budget cycle and related procedures)

VIII. *Project database* - explain the importance of developing and using the project database (formats devised, any computer-aided modes/software; actual development and management of project data base to be taken out as a special activity).

## 5. **Qualifications and Requirements of the Consultancy**

The study will be subject to open international tender. The procurement of the consultant will be done by the President's Office Planning Commission.

The composition of the team of consultants, mix between international and local experience, and exact number of days spent in Tanzania and price will all be part of the bidding. The proposed team should have the following qualifications:

- Proven competence in project management
- 10 years experience in managing public investment projects or programmes
- 5 years experience of economic appraisal/public investment appraisal
- Local knowledge of the Government of Tanzania operations and processes

The Team Leader shall have a PhD in Economics or Finance. The Deputy Team Leader shall have a PhD or an MA/MSc in Economics/Finance with bias in public finance management or project management. Experience in the related assignments will carry an added advantage for either or both the Team Leader and Deputy Team Leader.

Other key staff members should be highly qualified with at least a first degree and experienced in Development Economics, mainly in development project appraisal and project financing.

The successful bidder will work with a local counterpart from within the POPC.

Interested consultants should respond to this call briefly indicating their interest and understanding of the Terms of Reference.

## 6. Language

The assignment shall be written in English.

## 7. Copyrights

The consultant shall not have any title, copyright, patent or other proprietary rights to any world undertaken under this contract. All such rights shall lie with the President's Office Planning Commission. The data provider(s) shall retain title, copyright, patent or their proprietary rights to their data.

## 8. Assignment Cost and Schedule of Payment

The cost of the assignment and the schedule of payments will constitute part of the qualification criteria for bidders. The bidders therefore are required to make a competitive but pragmatic proposal in this regard.

### *Time table*

**The task is expected to take three (3) months. It should be completed no later than June 2013, but preferably earlier.** The team should be ready to present and discuss findings at the foreseen Public Expenditure Review (PER) Workshop in Dar es Salaam in August/September 2013. In the case of international consultants, at least one or two field visits to Tanzania of at least one or two weeks is/are envisaged.

<b>Activity Brief Description</b>	<b>Time</b>
Informed by literature survey (key readings and current debates, Scoping visits to MDAs, Road map agreed, Inception report	End April 2013
Write-up; case studies Stakeholders' workshop (MDAs) in Dar es Salam; <b>Draft Report</b>	May 2013
Revisions and stakeholders workshop, towards <b>final draft</b>	End June 2013 (final)

### *Schedule of Payment*

Payments shall be made according to the following schedule:

- (a) Twenty (20%) of the contract sum less provision shall be paid upon completion and acceptance of the inception report;
- (b) Forty (40%) of the contract sum less provision shall be paid upon completion and acceptance of the draft report; and
- (c) Forty (40%) of the contract sum less provision shall be paid upon completion and

acceptance of the final report

- (d) The provision sum will be used to reimburse the consultant for payment of sitting allowances paid to stakeholders during consultative meetings, workshops, conference charges, refreshments and /or lunches. Sitting allowances shall be paid using approved rates (applicable only when cost of consultation is provided for in the consultant's contract as provisional sum).

**9. Submission Address:**

All reports should be addressed to:

**Executive Secretary**

President's Office, Planning Commission

Kivukoni Front

P. O. Box 9242

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