

**TEMPLATE AND GUIDELINES
FOR THE PROJECT CONCEPT NOTE (PCN)**

Operations Policy and Country Services

These Guidelines consist of the following sections:

1. Rationale, objectives, and key features
2. Table of contents of the Project Concept Note (PCN)
3. Guidelines for Content and Structure of PCN
4. Guidelines on Processing PCN
5. Appendix 1: Template for the PCN Cover Sheet
6. Appendix 2: Guidelines for stating the Project Development Objective

RATIONALE, OBJECTIVES, AND KEY FEATURES

The new Project Concept Note (PCN) is part of an initiative to modernize and simplify investment lending documentation. The initiative encompasses not only the PCN but also changes in the Project Appraisal Document (PAD) and the simplification of the Project Status Report (PSR).

The introduction of the PCN is in response to feedback from operational staff and managers indicating that the previous Project Concept Document (PCD) had shown too many deficiencies, namely:

- The PCD, because of its detailed format, was usually prepared too late in the project cycle. It tended to be rich in specifics but unsuited for an upstream, strategic review of a project concept. The PCD had become a “draft PAD” requiring much more information than needed for a real concept review.
- The tendency to postpone preparing a PCD until the project design was well advanced meant that there was no formal review of the project until major commitments had been made and sunk costs were high. This undermined managerial inputs and accountability.
- This practice meant that guidance on technical, fiduciary, or safeguard issues was often given too late, making it difficult to introduce significant changes or to meet requirements before the scheduled appraisal.

Thus the new PCN has the following functions:

- To examine the strategic rationale for Bank involvement
- To promote consideration of alternative project concepts
- To seek a go/no-go decision from Country Director
- To obtain early guidance/agreement on issues and approach
- To flag risks and potential mitigation measures
- To seek early guidance on potential safeguard issues, consultation, and disclosure
- To agree on a resource estimate, schedule, and team

The key features of the PCN are:

- It is very short—a maximum of four pages
- It focuses on project concept, not design
- It is prepared immediately after identification or before expenditures exceed \$30,000

TABLE OF CONTENTS OF THE PCN

1. Cover Sheet
2. Key development issues and rationale for Bank involvement
3. Proposed project development objective(s)
4. Preliminary project description
5. Potential risks and mitigation
6. Issues on which the team seeks guidance
7. Proposed preparation schedule, team composition, and resource estimate

GUIDELINES FOR THE CONTENT AND STRUCTURE OF THE PROJECT CONCEPT NOTE (PCN)

Length: The PCN cannot exceed the equivalent word count of four (4) pages in 12 point, single-spaced text, excluding the Cover Sheet. For your guidance, the table below provides a suggested length for each section. PCNs exceeding the limit will not be accepted by the Bank’s document system.

Content: The middle column of the table below gives “typical” questions to be answered in each section. The questions are not intended as a mandatory checklist. Writers may give more emphasis to certain questions over others and may address the questions in whatever sequence best fits the project.

Section Name	Typical Questions to be Answered in Each Section	Suggested Length
1. Cover Sheet	<p>Identification of project name and key parameters.</p> <p>For the “Estimated Bank funds required” box: What amount of resources is really needed to deliver this project?</p> <p>This sheet includes a link to a web site showing average preparation and approval costs for the Bank’s lending instruments by region, country, and sector.</p>	One page in standard format (see Annex 1)
2. Key development issues and rationale for Bank involvement	<ol style="list-style-type: none"> a. How would the proposed operation support the borrower’s objectives, policies, and strategies in the sector? b. What is the evidence of the borrower’s commitment to and ownership of the relevant policies and strategies? c. How would the proposed operation support the relevant CAS objective(s)? If the operation is not aligned to a CAS objective or not in the CAS, explain. d. What are the main lessons from AAA, previous Bank-assisted projects, and partner activities? e. What are other partners doing, and how do their activities affect the Bank’s suitability to assist? f. What can the Bank’s lending accomplish that cannot be accomplished by other means or other sources of funding? g. What is the evidence of the borrower’s (i) interest in borrowing from the Bank for this operation and (iii) preparedness to work on project preparation? 	One page

Section Name	Typical Questions to be Answered in Each Section	Suggested Length
3. Proposed project development objective(s)	If the project is successful, what will be its principal outcome for the primary target group? <i>See Annex 2 for guidelines on the project development objective</i>	Half a page
4. Preliminary project description	<ul style="list-style-type: none"> a. What are the alternative development interventions or approaches being considered? If an approach is favored, what is the rationale for it? b. What lending instrument is proposed and why; or what alternative instruments are being considered? c. If the proposed operation is to support a sector program, what would be the key elements of the program and how would the proposed project fit into it? d. What project components are being considered? Can indicative costs be identified? e. What issues are there at this stage, if any, regarding possible partnerships and co-financing with other international agencies? 	One page
5. Potential risks and mitigation	<ul style="list-style-type: none"> a. What are the risks that might prevent the project development objective(s) from being achieved, including but not limited to political, policy-related, social/stakeholder-related, macro-economic, or financial? b. What is the evidence of institutional capacity on the part of the borrower to handle preparation and implementation of the proposed program and/or project? c. What relevant risks have been identified through predecessor operations or from poverty, social, financial management and procurement assessments? How might they be addressed in the proposed project? Might any new assessments be needed? d. Would any stakeholders feel that their interests are threatened by the project? How might the related risks be mitigated? e. Which safeguard policies might apply to the proposed project and in what ways? What actions might be needed during project preparation to assess safeguard issues and prepare to mitigate them? How might consultation and disclosure be addressed? 	Half a page

Section Name	Typical Questions to be Answered in Each Section	Suggested Length
6. Issues on which the team seeks guidance	<p>What specific guidance does the task team seek? These <i>may</i> include but are not limited to:</p> <ul style="list-style-type: none"> • Sector policy and strategy • Relationships with borrower and/or other partners • Bank policies or procedures • Project design • Choice of lending instrument • Technical/analytical aspects • Institutional/capacity aspects • Mitigation of potential risks including fiduciary and safeguard issues • Resources for preparation/approval, task team composition and management, and any other issues related to Bank internal organization. 	Half a page
7. Proposed preparation schedule, team composition, and budget estimate	<p>a. What is the proposed timetable of key steps in the preparation process (quality enhancement review, appraisal, negotiations, Board approval, effectiveness)?</p> <p>b. To what extent has the timetable been agreed with the borrower?</p> <p>c. Who are the members of the project team (list titles and unit)? What capacity issues, if any, are there on the Bank side?</p> <p>d. What is the estimated amount of Bank funds needed for the whole process of project preparation and approval (consistent with Cover Sheet)? Briefly, what is the justification relative to the averages for the region, sector and lending instrument (see Cover Sheet)</p>	Half a page

GUIDELINES ON PROCESSING THE PROJECT CONCEPT NOTE (PCN)

Step	Guidelines	Primary Responsibility
Preparation of PCN	<p>The PCN should be prepared and reviewed shortly after the first identification mission or before the amount spent on the project goes above \$30,000</p> <p>Word-based PCN template is launched and filed through the Project Portal on the Bank Intranet</p>	Team Leader
Circulation of PCN	<p>Once the PCN is filed electronically, the document system automatically generates a draft Project Information Document (PID) and Integrated Safeguards Data Sheet (ISDS). TL reviews these, and makes any needed additions, deletions or corrections.</p> <p>After approval of the draft PCN by the Sector Director or Sector Manager per Regional guidelines, TL circulates the PCN and draft PID and ISDS by email at least 8 working days before the review meeting to the Country Director, Country Team members, Sector Director, Sector Manager/Leader, Quality Director, Operations Adviser, Financial Management Specialist, Procurement Specialist, Regional Safeguards Coordinator, Lawyer, Disbursement Officer</p>	Team Leader
Comments on PCN	<p>Comments should be sent in writing no later than 2 working days before the meeting.</p> <p>Comments, to be accepted, must recognize that this is a <i>concept</i> review where the focus is on strategic issues, options, and preliminary ideas of content and risk, <i>not</i> on details.</p>	Recipients of PCN

Step	Guidelines	Primary Responsibility
PCN Review Meeting	<p>Country Director or his/her designee chairs. All recipients of the PCN are invited.</p> <p>The key objectives are (i) to make a go/no-go decision on project preparation; (ii) to seek early agreement on issues that the project should address, on the project's objectives, and on the approach to be taken to achieve the objectives; (iii) to flag potential risks and identify measures to address them during preparation; and (iv) to provide guidance to the Bank team and borrower on priorities or criteria to follow in the project preparation and appraisal process.</p> <p>The Country Director must assure that:</p> <ul style="list-style-type: none"> • The discussion is focused on strategy, options, and conceptual design. • Comments are constructive, not “point-scoring”, and do not demand detailed descriptions or analysis of a project which has not yet been designed. 	Country Director
Minutes of PCN Review	<p>Draft minutes prepared within 5 working days and circulated to all meeting participants. Minutes include a record of</p> <ul style="list-style-type: none"> • Decisions made. • Guidance provided. • The agreed estimated dates of key subsequent milestones including the quality enhancement review. • The agreed estimate of Bank funds for project preparation and approval. <i>This is for planning purposes. If there is a change in the scope of the project, the SMU may later make a proposal to the CD for a change in the level of resources.</i> <p>Participants have 3 working days to respond; silence is deemed approval.</p>	Team Leader
Approval of PCN Review Minutes	CD approves minutes within 3 working days after deadline for comments on minutes	Country Director

Step	Guidelines	Primary Responsibility
Project Information Document and ISDS	TL revises the PID; Sector Manager clears; PID is sent to Infoshop TL revises ISDS in consultation with safeguard unit; Sector Manager and Safeguard Coordinator clear it; ISDS is sent to Infoshop.	Team Leader
Revision of resource estimate through Activity Update Summary (AUS) in SAP	The relevant RM staff enters the agreed resource estimate for project preparation and approval in an AUS in SAP.	TL requests RM staff

Annex 2

GUIDELINES FOR STATING THE PROJECT DEVELOPMENT OBJECTIVE

The project development objective (PDO) answers the question:

If the project is successful, what will be its principal outcome for the primary target group¹?

The following questions help frame the PDO:

1. What group is targeted directly by the project as the key recipient of project benefits? (e.g., students, farmers, residents of poor communities, small enterprises, civil servants, specific institutions, and the like)
2. Immediately after the close of the project, what problem has been solved for this target group?
3. What will the target group be doing differently after the project that should make it better off? (e.g., students learning better, residents using clean water, farmers using new techniques, civil servants working more efficiently, etc.)

Ideally, each project should have one project development objective focused on the primary target group.

The PDO should focus on the outcome for which the project reasonably can be held accountable, given the project's duration, resources, and approach. The PDO should **not** encompass higher level objectives that depend on other efforts outside the scope of the project. The "Strategic Context" section of the PAD is the place to describe how the project contributes to the higher level objectives.

At the same time, the PDO should not merely restate the project's components or outputs. Efficient use of inputs or delivery of outputs must be translated into outcomes or results for the primary target group.

The figure below gives examples to illustrate the differences between the project development objective(outcomes), higher level objectives, and outputs.

¹ A project may have several secondary target groups whose needs are addressed in various components. For example, an education project may include teachers and school administrators as secondary target groups. If the project improves their performance, they will better serve the primary target group.

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Higher level objective	Crop yields increase	Local government revenues increase	Mortality rates decrease	Literacy rates increase
Project Development Objective (outcome)	Farmers use new production techniques	Local governments use new tax data bases	Vulnerable groups use good quality health care facilities	Students show improved reading skills
Project Outputs	<ul style="list-style-type: none"> • New inputs delivered to farmers • Extension workers trained 	<ul style="list-style-type: none"> • Local staff trained • New hardware and software provided 	<ul style="list-style-type: none"> • Information campaign implemented • Health workers trained 	<ul style="list-style-type: none"> • Teachers trained • New curriculum materials delivered