**Supplementary Reference: 216**
**File Name: 2166s1\DR-CD 8**

**This Interim Directive was superseded by ADS chapters 201 - 203 on DR-CD 7.**

**SUPERSEDES: Chapters 1-4, Handbook 3 -- including the following Appendices:**
**Chapter 1, Appendices 1A, 1B**
**Chapter 2, Appendices 2A, 2B, 2C**
**Chapter 3, Appendices 3B, 3D, 3E, 3F, 3G, 3H, 3K, 3N, 3O**
**Chapter 4, Appendices 4A, 4B, 4D**

**Effective Date: November 1, 1994**

**SUBJECT: Project Development Interim Directive**

This transmits new Agency policy on project development, superseding Handbook 3, Chapters 1-4. It became effective on November 1, 1994, and will remain in force until new guidance is issued to implement the reengineering recommendations. The Project Development Interim Directive responds to our pledge to bring the project design process into line with the Agency Directive on Setting and Monitoring Program Strategies which was issued in May 1994, and at the same time to streamline and simplify regulations in this area.

The directive not only streamlines current regulations, it also begins to build a bridge to the new reengineered system. An important consideration in issuing this directive now was to provide greater clarity for the field and USAID/W offices as to what our programming system is for this interim period. This should help eliminate current confusion about Agency requirements.

This directive formalizes the New Activity Description (NAD), eliminates the Project Identification Document (PID), and greatly increases the flexibility of the authorizing officer to decide on the kinds and extent of project design analysis. It reduces the regulations in the first four chapters of Handbook 3 by over two-thirds, without sacrificing design quality. Moreover, for the first time, the directive places our project development process in the context of strategic planning and management for results.

While documentation preparation, review and approval

procedures would likely change with the reengineered system, it is important to note that many of the analytical processes described in the attached directive are similar to those proposed for the new system. For instance, this directive places greater emphasis on planning and managing for development results, which are identified, defined, and achieved in a participatory manner with stakeholders, partners, and beneficiaries. At the appropriate time, we will provide additional guidance on how to transition from the current project development system to the reengineered system.

This directive was reviewed and commented on by senior Agency managers and at various other levels of the Agency. The overwhelming response was very positive and supportive of the changes incorporated in the directive. We also received a number of constructive comments and suggestions on earlier drafts that helped us improve the product. This final version includes greater flexibility in the timing of NAD submission, increased emphasis on participation and management for results, tighter analytical requirements, more attention to Agency policy and regulations, especially with respect to environmental concerns, greater attention to project-level assessment, and increased clarity with respect to how project monitoring and evaluation relate to assessment of accomplishment at the program outcome and strategic objective levels.

However, we recognize that no directive can fully anticipate all contingencies and problems. We welcome your comments and suggestions for possible updates to this directive, or for consideration in developing procedures to implement the reengineered system that will supersede it, based on your experience in implementing this directive. Comments can be sent to PPC/PC, Wendy Stickel or PPC/PC, Joseph Lombardo.

Point of Contact: For further information concerning this notice, please contact Joseph F. Lombardo, PPC/PC, by e-mail or by phone at (202) 736-4859.

## PROJECT DEVELOPMENT INTERIM DIRECTIVE

This interim directive provides greater flexibility in project development. Use it together with the Agency Directive on Setting and Monitoring Program Strategies, dated May 31, 1994. This directive is effective as of November 1, 1994 and will remain in force until it is superseded by new guidance to implement the

reengineering recommendations, which is expected to be issued by October 1995.

This directive replaces selected chapters and appendices in Handbook 3 (see endnote [1]). USAID officers may want to use portions of old handbook chapters, and its supplements, as general reference materials. These can guide analysis; however, USAID officers decide on the types and depth of analysis that fit the situation and the specific circumstances of the project under development. The Handbook 3 authorization and obligation procedures remain unchanged. All statutory and regulatory requirements continue to apply [2]. Also, projects must adhere to Agency and bureau strategic priorities, Agency policy determinations, and guidelines for how the Agency focuses or conducts its activities [3].

The approving bureau can choose to apply this directive to projects that have approved New Activity Descriptions (NADs) before the effective date of this message.

## APPLICABILITY

This directive is applicable to the full range of Agency project assistance. It will not apply to emergency disaster assistance; emergency food aid authorized under Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480) [4]; and activities undertaken by the Office of Transition Initiatives. Other exceptions may be made by PPC, in consultation with the Administrator.

## PLANNING USAID ASSISTANCE PROJECTS

There are three main objectives to the project planning process: (1) to show how USAID funds support an approved strategic plan, (2) to ensure their proper use, and (3) to provide a framework for monitoring the project's contribution to the strategic objective(s), related program outcome(s), the specific results the project is expected to produce, and thereby provide the basis for monitoring and modifying the project as required.

USAID officers will use the following principles and practices in carrying out their project planning responsibilities.

(i) Maximize the impact of scarce development resources, by:

developing a commitment jointly with stakeholders; seeking the commitment of all development partners, in the public and private sectors, to USAID-financed efforts; collaborating closely with partners, stakeholders, and other donors to develop complementary programs and leverage additional resources wherever possible; assuring that the policy and institutional framework support the USAID investment; and seeking sustainable solutions to development problems, including the active participation of local organizations and communities during and after USAID's involvement.

(ii) Ensure the prudent stewardship of USAID resources, by: applying lessons learned from prior USAID and other donor experience; selecting development strategies that maximize the probability to achieve approved objectives, and minimize USAID management costs; examining design feasibility, soundness, and cost-benefit or cost effectiveness. This would include careful consideration of alternate approaches and alternative delivery mechanisms; and reporting fully on the costs and risks associated with USAID-financed activities.

(iii) Manage for results, by: ensuring that all USAID-financed proposals have clear performance targets and accountability standards; defining procedures for monitoring, evaluating, and reporting on the results of USAID assistance; creating plans and program support systems which are sufficiently flexible to enable USAID and its development partners to respond to complex and changing circumstances; and experimenting with new and innovative approaches to development problems to enhance the probability of success.

## THE ASSISTANCE PLANNING PROCESS

### CORE TASKS OF THE PROCESS

The following core tasks need to be completed in planning projects. These core tasks should be carried out in a manner that fully incorporates the principles stated above [5].

-- clarify the development problem or opportunity identified in the context of the strategic plan in collaboration with potential partners, key stakeholders, and intended beneficiaries and determine how USAID will collaborate with them in undertaking the other core tasks listed below;

-- identify a specific purpose of the proposed project, and its relationship to the strategic objective and program outcome

supported by the assistance;

-- select interventions, from the range of alternatives, which can accomplish the purpose of the project and make the greatest contribution toward achieving the strategic objective and related program outcome;

-- define success for the proposed project. This would include a description of the intended results, indicators for monitoring progress, and criteria for measuring impact on the strategic objective and related program outcome(s);

-- assess the broad policy and institutional setting in terms of its conducive effect on the success and sustainability of the project; and role, if any, of policy or institutional reform in achieving success;

-- assess the technical soundness and feasibility of the project from relevant perspectives that may include economic, financial, political, social, cultural, and environmental issues [6,7]. Analytical methods may vary for different tasks. Analysis is rigorous, but tailored to the size and nature of the assistance project and the information needed to authorize the project;

-- assess the principal assumptions and risks associated with the project and decide how best to monitor and manage those concerns during implementation;

-- develop a plan to ensure the prudent management of USAID funds, specifying USAID's and other partners' estimated financial contributions, funds obligation and disbursement systems, accountability standards, and monitoring, reporting, evaluation and audit procedures;

-- develop a plan of action which identifies all the essential actors related to the success of the project, what actions will be undertaken by other participants, and what other parties must do before USAID will furnish resources or undertake other specified steps; and,

-- identify procedures for using information from monitoring and assessment of results achievement in making decisions about resource use and implementation plans.

SUMMARY DOCUMENTATION AND REVIEW STEPS

Except as described in the section entitled Special Cases, USAID requires a two-step documentation and review process for the approval of an assistance project.

The first document is the New Activity Description (NAD). NADs are part of the operating unit's Action Plan [8]. Each NAD describes the purpose of the project, its linkage to an approved strategic objective and related program outcome, the types of interventions proposed, the requested program and management resources, and the project development process or strategy. The operating bureau with jurisdiction reviews and approves NADs. The bureau's assistant administrator decides on any delegations of authority for project authorization.

The second document is the Project Paper (PP) [9]; except as provided for under the section "Special Cases," below, the Project Paper precedes all project authorizations. The PP adds sufficient detail to the NAD to permit the Agency to obligate funds. The operating unit that designs the project supervises Project Paper preparation. This operating unit reviews the PP following the guidance provided by the bureau. The Project Paper reflects the conclusions from carrying out the core tasks outlined above, from analysis of other issues contained in USAID/W guidance provided at the NAD review, and from examining concerns of the official who will authorize the project. The Project Paper identifies project management systems and defines roles and responsibilities of USAID and its development partners with respect to the proposed project or activity.

## DOCUMENTATION, REVIEW, AND APPROVAL REQUIREMENTS

### NEW ACTIVITY DESCRIPTION

#### PURPOSE

New Activity Descriptions (NADs) give the operating bureau an early opportunity to review a proposed project. This review helps the bureau decide (i) the project's consistency with Agency policy and the approved strategic plan before making a budgetary commitment; (ii) policy or design guidance to provide the authorizing official; and (iii) who will authorize the project.

#### TIMING

NADs are part of the Action Plan. If possible, they should be submitted together with the Action Plan. This allows the bureau to review the NAD in the context of the operating unit's total funding priorities. The timing helps the bureau prepare its consolidated budget submission for the Agency to include in its general budget request to OMB. However, NADs can be submitted at any time.

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The NAD shall include only the information needed to meet the purposes defined above. Generally, this will include:

(1) all basic project data such as title, number, estimated term, funding source and projected level of resources required;

(2) the strategic objective and program outcome being supported, the purpose(s) of the new project, the expected results of the assistance; and, as applicable, its relationship to other operating unit programs or activities, host country priorities, and other donor activities;

(3) the types of interventions anticipated and the kinds of management costs expected for USAID (in terms of FTEs, OE, and/or technical support from USAID/W);

(4) as applicable, a statement of the policy agenda and general strategy for pursuing it;

(5) design and analytical work to be completed in preparing the project paper for approval and obligation, including any policy issues and/or program innovations to be explored;

(6) preliminary identification of key stakeholders, partners, and beneficiaries; and participation plan for PP preparation;

(7) timetable and resource requirements for developing the project paper;

(8) recommendations for review, waiver approval, and project authorization authorities;

(9) a preliminary logical framework (logframe), objectives

tree, or other analytical tool which presents in summary form the linkage of the proposed project to the approved program strategy it supports, and the planning assumptions being made regarding the achievement of objectives.

NADs need not repeat any analytical, descriptive, background, and rationale provided in the general strategic planning document. Generally, the narrative portion of a NAD should not exceed five (5) pages.

## REVIEW AND APPROVAL

The USAID/W operating bureau with jurisdiction chairs the review of every NAD. NADs are part of an operating unit's Action Plan; depending on bureau policy, NADs need not be submitted concurrently with the Action Plan. If a NAD is submitted or reviewed separately from the time the Action Plan is reviewed, the NAD submission is considered an amendment to the respective Action Plan. PPC, M, G, and GC participate in reviewing Action Plans with the operating bureau. Other bureaus or offices may participate depending on the nature of the proposed project. For example, BHR would be expected to participate in the review of proposed food aid programs. The reviews consider the matters listed under Purpose, above, the project's priority compared with other proposed bureau activities, and general resource availability. Resources include financial resources for the project and human resources to develop and manage it.

NAD approval follows the procedures for Action Plan approval. The Agency Directive on Setting and Monitoring Program Strategies requires that PPC and M concur before the assistant administrator of the proposing operating bureau can give formal approval to Action Plans or NADs. In addition, approval of P.L.-480 Title III NADs require the concurrence of the AA/BHR.

NAD approval is the go-ahead to develop the Project Paper. NAD approval may include conditions relating to who can authorize the project, where the Project Paper will be reviewed, and may require analysis of specific issues or concerns raised at the NAD review. In unusual cases, USAID/W may choose not to delegate PP approval authority to the operating unit responsible for its design. Examples of these special circumstances include: (i) where the project raises significant policy issues; (ii) where it incorporates an innovation not yet tried within the sector or region, or may be considered particularly high-risk; (iii) where the project requires

significant USAID/W or bureau-wide implementation support; or (iv) where there are insufficient personnel at the mission level to ensure a broad and thorough review of the Project Paper.

## PROJECT PAPER

### PURPOSE

The purposes of the Project Paper (PP) are: (i) to present the information needed by the approving officer to decide whether the proposal represents an appropriate use of USG funds; (ii) to serve as a guide for the early implementation of the project; and (iii) to provide a framework for monitoring the achievement of the project's purpose and for revalidating the project's contribution to the strategic objective(s) and related program outcome(s). While meeting these three objectives, the Project Paper also provides a basis for authorizing the new assistance and for negotiating and obligating USAID funds.

### TIMING

The authorizing official reviews the Project Paper prior to authorizing the project. Project authorization must precede obligation of funds.

### CONTENTS

The Project Paper presents the conclusions reached by completing the core tasks. These conclusions are integrated in the presentation of the items described below. The size and complexity of the project, grantee or counterpart capability, and prior USAID experience with the type of project proposed, are among the important factors in deciding how much detail needs to be included in the text of the Project Paper. Typically, a Project Paper will be under thirty (30) pages, including any executive summary [10].

#### 1. Statement of Problem or Opportunity, Project Purpose, and Assistance Interventions

This section of the Project Paper: (i) clarifies the problem or opportunity to be addressed by the assistance; (ii) identifies the specific purpose(s) of the proposed project and how

it contributes to the strategic objective and program outcome; and (iii) describes the types of interventions proposed and why and how they were selected.

This section describes the logic between the planned assistance and expected results. The PP will include a logical framework, objectives tree, or equivalent analytical tool. This will show in summary form the hierarchy of approved objectives (e.g., purpose - program outcome - strategic objective), and their respective performance indicators and targets [11].

This section should also describe the process used to ensure the project design was developed in a participatory manner.

2. Plan of Action

The purpose of the Plan of Action is to describe expectations as to how the proposed project will work. It identifies the institutions, organizations or groups that have a role to play, and whose actions can affect the project's success. For example, the project may involve representatives of the host country, including the beneficiary population and private or public sector organizations with a stake in the outcome of the project. Other donors, or other agencies of the U.S. Government may also play a role. It describes the actions, activities, roles and responsibilities that USAID (and its staff both within and outside the operating unit) [12] and others will carry out, conditions placed on the disbursement of USAID resources, and other implementation arrangements. It is important to distinguish those whose actions can be negotiated as part of the agreements to obligate funds and those who are outside this framework. If important actors are among the latter group, their actions take on the character of assumptions and should be treated as such in the design.

3. Definition of Success

The purpose of this section of the PP is to define what circumstances in the assistance environment will suggest the project has been successful. This section shall describe (i) the intended results, (ii) indicators for monitoring project level progress during implementation and criteria for assessing project purpose achievement, (iii) plans for monitoring and revalidating the continued relevance of the project's activities and results to

achieving the program outcome(s) and strategic objective(s), (iv) the time-frame for achieving expected project level results; and (v) how information on continued appropriateness of both project results, means of achieving those results, and project performance will be used in making decisions regarding the project's future. In this regard, plans of action are seen as an important guide to achieving results. Project planners and managers are expected to make modifications if either the results or the means of achieving those results are no longer valid to their purposes.

The project budget (see point five, below) shall include the estimated program costs of monitoring performance and evaluating impact. Cost estimates should include the resources required throughout the life of the project to identify and define performance targets, collect and analyze data, and report on findings.

4. Analysis of Feasibility, Key Assumptions and Related Risks

The purpose of this section is to provide the approving officer a clear understanding of the issues examined during project development, and the risks associated with the proposed project before authorization. This section shall document the key issues and the conclusions reached, the principal assumptions and risks to successful implementation and sustained development impact, and recommend how to monitor and manage those risks during implementation. As appropriate, it will identify the point at which USAID should consider stopping its assistance if the key assumptions prove to be wrong, or if the risks to project success or to USAID's fiduciary responsibility become too great. Alternatively, if the intended results remain valid, but the means of implementation become suspect, other methods should be considered. This approach is particularly relevant if the intended results are central to achieving the related program outcome(s) and the strategic objective(s).

5. Financial Plan

This section contains four discrete elements. The applicability of each element and the level of specificity provided will vary depending on the type of project proposed.

First, this section shall outline the resource requirements for USAID and counterpart funding during the life of

the project. In general, the financial plan shall include a complete budget for the project, and a detailed first year budget.

Second, it shall include a summary of expected obligation actions, and specify obligation instrument(s). For each obligation instrument the PP should identify the total funding level, and include an estimated obligation schedule.

Third, as appropriate, the plan shall identify any recurrent costs to participating organizations. Identify separately recurrent costs associated with implementation and those needed to continue activities beyond the life of the project. Also, show how the responsible organizations or groups will cover these costs.

Fourth, this section shall identify USAID's management costs for the project. These costs include both program and operating expenses. The latter costs include FTEs, and required technical support from USAID/W.

6. Management Procedures

The purpose of this section is to describe the arrangements to ensure the prudent management of USAID funds. The degree of detail provided will vary according to the size and nature of the project.

This section delineates USAID and counterpart systems for tracking resources, monitoring results, reporting, and conducting evaluations and audits. If the acquisition of goods or services are involved, it shall also include a procurement plan.

If others will manage USG funds, USAID must satisfy itself that these other organizations have adequate internal controls and procurement procedures. Sometimes a project's objective includes helping an organization to develop this type of capability. In such a case, the PP should show how USAID funds will be managed until the beneficiary organization can meet Agency certification standards.

REVIEW

The purpose of reviewing the Project Paper is to help the authorizing officer to decide if the project is ready for authorization. The review process ensures that the proposed project

is feasible and cost-effective; that it meets applicable policy, statutory, and regulatory standards; and will produce significant development results.

The authorizing official establishes the procedures for Project Paper reviews. The authorizing official is accountable for the integrity and quality of the review process. Participants in the reviews are not limited to the staff of the operating unit. Representatives of other units or bureaus can help the operating unit meet its project review and authorization responsibilities.

### APPROVAL

The Project Paper review leads to a recommendation to the authorizing official. There are three basic types of recommendation: full approval, conditional approval, or disapproval. For conditional approvals, the operating unit modifies the PP accordingly. For any approval, the operating unit prepares Congressional Notifications, and waiver requests.

The authorizing official signs the Project Authorization to formally approve a Project Paper. We are not altering the authorization documentation at this time; USAID officers should continue to follow the authorization guidelines contained in Handbook 3. Obligation of funds cannot occur before there is a signed Project Authorization. This directive does not modify the manner by which funds are obligated.

## SPECIAL CASES

### PROJECTS UNDER ONE MILLION DOLLARS

A NAD is not required if the total life-of-project (LOP) cost to USAID is under one million dollars. A draft obligating document (e.g., Project Implementation Order or Project Agreement) can substitute for the Project Paper. However, the operating unit must review the draft obligating document to ensure it meets all applicable policy and legal requirements that normally apply to projects, and that the project reflects the general principles and core tasks that govern project planning.

### RAPID RESPONSE PROGRAMS

NADs are not required for rapid response programs, following

the procedures in the Agency Directive on Setting and Monitoring Program Strategies. Project development will follow the normal Project Paper requirements, or the procedures described in the preceding section if the authorized amount is under one million dollars. In the cases where a rapid response requires deviations from this directive, such deviations require the concurrence of PPC.

### GRANTS OR CONTRACTS FOR STAND-ALONE ACTIVITIES AND FIELD SUPPORT PROJECTS

An unsolicited proposal, a proposal in response to a Request for Applications (RFA); or a proposal in response to a Request for Proposals (RFP) can substitute for a Project Paper. However, the proposal must meet the following conditions: (i) it adequately responds to the normal Project Paper information requirements; and (ii) USAID prepares a memorandum that describes USAID's implementation role, responsibilities, and project administration procedures. The operating unit shall review the proposal together with the memorandum before authorizing the project. The operating unit will follow the normal Project Paper review procedures contained in this directive.

Special Development Fund Activities are authorized regularly and allocated to USAID Missions in a lump sum in the Operational Year Budget. This documentation system in this directive does not apply to these types of activities. Each Mission administering a special development fund shall establish specific procedures for receiving, reviewing, approving, and funding community proposals. Such procedures must clearly describe the purposes and standards for special development fund grants, and USAID and grantee roles and responsibilities during grant implementation.

## MODIFICATIONS TO ASSISTANCE

### RECOGNITION AND ASSESSMENT OF CHANGE

USAID recognizes the dynamic nature of the development environment. Design and implementation plan adjustments are frequently needed. Typically the USAID project officer handles these situations as part of his or her normal responsibilities.

However, at times conditions change significantly or serious problems arise that jeopardize the project's implementation or its ability to achieve its intended purpose. After consultation with

counterparts and other important stakeholders, USAID has the responsibility to decide whether to continue with the project, modify it, or end it.

## DOCUMENTATION OF DESIGN MODIFICATIONS

### MAJOR MODIFICATIONS AFTER NAD APPROVAL

The operating unit must consult with its bureau before the unit approves project modifications that result in (i) a 25 percent or greater increase in USAID resource requirements, or (ii) questions about whether the project is consistent with USAID/W policies and program priorities.

### MAJOR MODIFICATIONS FOLLOWING THE AUTHORIZATION OF AN ASSISTANCE PROJECT

A major project modification includes: (i) a change in the purpose and/or program outcome of the project; (ii) an expansion in assistance exceeding one million dollars; (iii) a radical restructuring of the implementation arrangements; (iv) doubts about the continued feasibility, soundness, or sustainability of the project; or, (v) questions regarding the continued relevance of the project to achievement of its related program outcomes or strategic objective(s) [13].

The operating unit managing the project will document the project modifications and report these to its bureau following normal bureau policy and procedures. The authorizing official has the authority to decide whether a modified Project Paper will be prepared, or alternative documentation will serve to record the changes. All major modifications require the operating unit to execute a Project Paper Supplement [14].

ENDNOTES

[1] This directive replaces Chapters 1-4 and selected Appendices in Handbook 3 on Project Assistance, as follows:

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|---|---|
| Chapter 1 | and Appendices 1A, 1B |
| Chapter 2 | and Appendices 2A, 2B, 2C |
| Chapter 3 | and Appendices 3B, 3D, 3E, 3F, 3G, 3H, 3K, 3N, 3O |
| Chapter 4 | and Appendices 4A, 4B, 4D |

The Appendices listed above have the status of "optional" guidance, or reference materials for project planners. The remaining appendices, specifically Appendices 2D, 2G, 3A, 3I, 3J, 3L, 3M, 4C, 4E, and 4F, relate to current statutory requirements or standing financial management practices and remain in force. Appendices 2E, 2F, and 3C were "reserved" and were never drafted.

[2] The number of legislative and regulatory requirements are too numerous to mention. The following list is merely a sample of the requirements that USAID officers must comply with: 22 CFR 216 (Reg 16) for environmental issues; statutory checklists; Section 611 of the Foreign Assistance Act of 1961, as amended (FAA) regarding developing cost estimates prior to obligation, and certifying host country capability to maintain infrastructure financed with USAID funds; Section 110 of the FAA with respect to cost sharing; source, origin, and nationality rules for commodities and services; etc.

[3] There are numerous policy guidelines that, while not strictly statutory in nature, do define how USAID develops projects. Project designs are expected to be consistent with approved strategies for sustainable development and implementation guidelines; policy papers; and guidance with respect to how projects impact on people, gender guidelines, and precepts for participation of USAID development partners and beneficiaries. Project officers are responsible for ensuring these principles guide the design and management of USAID funded projects. There may also be additional special requirements associated with PL-480, Enhanced Credit Programs, Housing Guaranty Programs, and others that need to be taken into account when relevant to the project under development.

[4] Applicability of this directive to P.L. 480 Title II development programs is subject to prior consultation through the Food Aid Consultative Group.

[5] These principles and tasks apply to all projects, including those identified under the section entitled "Special Cases." The

major exceptions are field support projects. As these projects generally state their purpose in terms of support to missions, they would not be expected to address the development problem or opportunity beyond what is necessary to provide overall context for the project purpose. Normally, the stakeholders for these types of projects are the operating bureaus and field missions, and field project impact is indirect. The development impacts are important, but are captured through the strategic plan framework of the bureau or mission requesting field support. The fact that the principles and core tasks are required for Special Case projects should not be interpreted as requiring more documentation that is mandated for those cases in this directive.

[6] The issues of feasibility are both technical and policy related. USAID is concerned that projects produce sustainable benefits, and promote sustainable development. We want to avoid the "cookbook" approach to analyses.

[7] With respect to environmental impact assessment, 22 CFR 216 (Reg 16) requires the Initial Environmental Examination (IEE)to be prepared at the PID or PID equivalent stage. Because there will no longer be PIDs and because NADs will usually be too sketchy to permit a reasoned environmental threshold determination, special care will need to be taken by the project designers to prepare and submit an IEE with sufficient project detail to the relevant Bureau Environmental Officer (BEO)in Washington (this cannot be delegated to the field)for their review and written decision well in advance of PP design. This is critical because in those cases where a positive determination is made and either an Environmental Assessment (EA) or Environmental Impact Statement (EIS) is required, there must be adequate time to complete a scoping exercise, have it approved in writing by the BEO, and place an EA or EIS team in the field to work concurrently and integrally with the PP design team. This is to ensure that the environmental issues and mitigative measures are fully addressed and included in the PP. This will allow the BEO to make a final written concurrence on the EA (or EIS)and permit the mission director or other equivalent official to authorize the project. Environmental review may be performed after authorization of project only with respect to subprojects or significant aspects of the project that are unidentified at the time of authorization. Environmental review shall be completed prior to authorization for all subprojects and aspects of a project or activity that are identified. As before, responsibility for ensuring Reg 16 environmental reviews are planned for and undertaken at the proper points in design, with sufficient lead times to avoid conflict with authorization deadlines, falls to the authorizing

officer. Prompt review and written decision-making on IEEs, scoping statements, EAs, and EISs is a responsibility of the BEO.

[8] Although NADs are part of the Action Plan, they need not be submitted at the same time the Action Plan is reviewed in USAID/W. However, NADs submitted out-of-cycle will be considered an amendment to the Action Plan.

[9] The term Project Paper is used in this directive for the sake of consistency with generally accepted USAID terminology in those portions of the handbooks and other Agency policies that remain unchanged. However, this directive develops a broader, more flexible definition for the term. In this context a Project Paper is seen as a guide, not a blueprint that anticipates all contingencies. As a guide this directive recognizes that projects are launched in a world of imperfect information and a degree of uncertainty. USAID project officers are expected to make adjustments to projects throughout implementation, as required to achieve the project purpose and to ensure the project continues to contribute to achievement of the operating unit's program outcomes and strategic objectives.

[10] Environmental findings and mitigative measures from the environmental impact assessment process will be integrated into the main text of the PP and supporting documents, such as the IEE and EA, will be standard annexes for all PPs.

[11] While we attempt in this directive to focus the role of the project on its contribution to program outcomes and strategic objectives, we also recognize that seldom is it the case that one project is sufficient to achieve these higher level objectives. The critical element is for project managers to monitor the continued validity of the project and its intended results to achieving the program outcomes and strategic objectives. Also, there may be cases where a project contributes to more than one program outcome or strategic objective, especially where there are opportunities for integration of project interventions on the operational level. Both these conditions militate against applying a rigid set of logical rules to tracing the proportional effects of projects directly to achievement of program outcomes or strategic objectives. Instead, the continual validation of the project to the high level objectives relies more on qualitative assessments and a good deal of judgment on the part of project managers.

[12] Increasingly USAID assistance will require a team approach among USDH personnel, which may include those in the mission working

in close collaboration with other USAID/Washington bureau staff such as those in G, the regional bureau, PPC, M, and BHR.

[13] Given that the function of the project is to produce results necessary to achieve a strategic objective, modifications to and cancellation of projects must be considered in light of what is needed to achieve the objective. At some point it may be necessary to question the appropriateness of the objective itself, if conditions exist that militate against success in reaching the intermediate or subsidiary results needed to achieve the strategic objective. In such cases, the operating unit would need to consider modification to or deletion of the strategic objective.

[14] Please note that all project modifications that result in an increase in funding require an authorization amendment.

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