



# Feasibility Study: An Evolving Art

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# Contents



⌘ Key Questions for Feasibility Study

⌘ Stages of FS

⌘ Pitfalls for FS

⌘ Recommendations

☒ - mostly based on personal observations

# Project Planning

## Simple or Complicated



- ⌘ Want it – Find Money  
Design - Build
- ⌘ Want it - Can it be done?
- ⌘ Want it - Can it be done differently?
- ⌘ Want it? - Is it worth the money?
- ⌘ Want it? - Are there better things to do?

### Key Issues

- ⌘ Technology and Finance
- ⌘ Technology, Finance, Institution
- ⌘ Goals, Scope, Alternatives, Technology
- ⌘ Benefits, costs, Scope
- ⌘ Objectives, Program

# Simple? Decision Variables



⌘ Objectives/Scope

⌘ Quality

⌘ Implementer

⌘ Cost

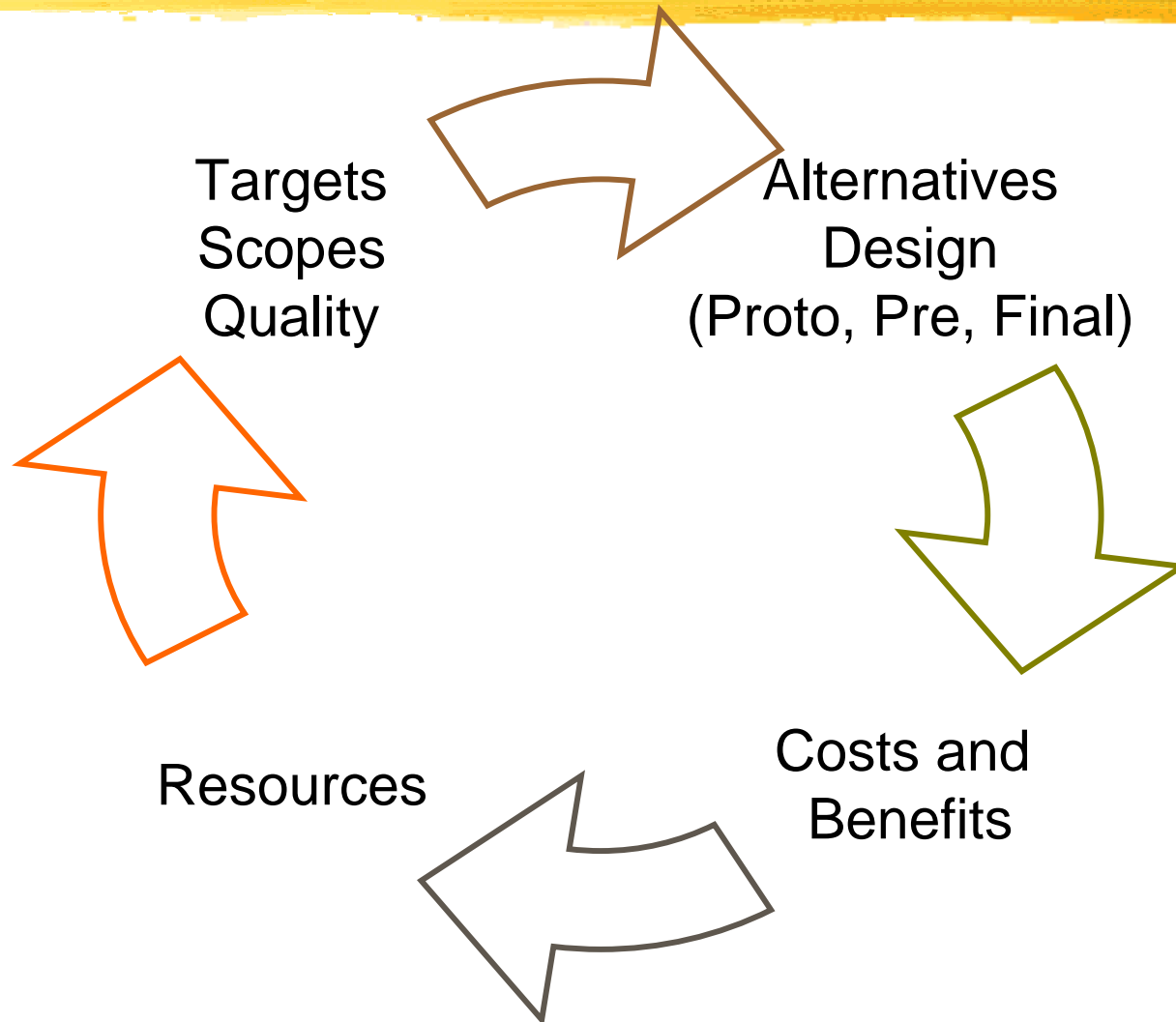
- Control one, two, or three? and which ones?

# Project Planning Stages: Linear Model



	<u>Focus</u>
⌘ Planning	⌘ Issues, Objectives
⌘ Project Identification	⌘ Goals, Approaches, Resources
⌘ Pre-FS	⌘ Targets, Alternatives
⌘ FS; Preliminary Design	⌘ Costs, Implementation Plans
⌘ Budgeting	⌘ Benefits and Costs
⌘ Design	

# Project Planning Iterative Model



# Fudging FS

## Objectives and Scope



### ⌘ Objectives and Targets

- ☒ Ambiguous Plan Objectives and Targets
- ☒ Is Plan good in the first place?

### ⌘ Scope

- ☒ Goldplating or Padding? - Separable components
- ☒ Trojan Horse? Endogeneity or Network

# Fudging FS

## Cost Estimation



### ⌘ Market uncertainty:

- ⊞ Standard Rates – quantity fudging
- ⊞ Procurement Rules
  - ⊞ To discourage overestimat - padding
  - ⊞ to discourage low-balling

### ⌘ Institutional incentives – annual allocation or dedicated funding?

### ⌘ Design uncertainty at early planning and review stages

# Fudging FS Benefit Estimation



- ⌘ Project Revenues – Market or Official Price?
- ⌘ Market proxy – Which ones?
- ⌘ Consumer surplus – Demand curve?
- ⌘ Intermediate value added – Production function?
- ⌘ Capitalization – Data?
- ⌘ Cost savings or Defensive Expenditures – Straw man?
- ⌘ Sector Comparison – Bias; Arm or Leg?

# When and How to Seek Better Information



- ⌘ Threshold Amount

- ⌘ Independent evaluation (objective) vs cooperation (cheaper)

- ⌘ Should decide based on:

  - ☑ Track Record of Proposer and Consultant

  - ☑ Cost-benefit analysis

# Recommendations



- ⌘ Build ex-post evaluation and record system
- ⌘ Note track record of institutions
- ⌘ Develop FS institutions and experts
- ⌘ Use FS more to improve projects and budget allocation

## When Reviewing FS

- ⌘ Rely more on experienced reviewers
- ⌘ Do not ignore objectives and scopes
- ⌘ Use benchmarks for costs and benefits