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Governance Dynamics in Development Project Appraisal: Evidence from Bangladesh's DPP and PEC Practices

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Abstract

This study examines how development project appraisal is conducted in practice within Bangladesh's public investment management system. It focuses on the Development Project Proposal (DPP) process and the role of the Project Evaluation Committee (PEC). Using a qualitative case study approach, the paper draws on process tracing of appraisal procedures and a review of official guidelines to examine how project proposals are prepared, reviewed, and refined within institutional settings. The analysis identifies recurring operational challenges, including optimistic cost estimates, variable quality of feasibility studies, project overlap, and institutional capacity constraints, particularly under the time pressures of the Annual Development Programme (ADP) cycle. At the same time, PEC deliberations function as a practical problem-solving platform, facilitating inter-agency coordination and enabling iterative improvements in project design and readiness. The study argues that meaningful reform requires attention to five interconnected priorities: strengthening how projects are prepared before they reach appraisal, making PEC deliberations more effective through digital support and systematic follow-up, applying appraisal standards consistently across agencies, building dedicated technical capacity within line ministries, and aligning appraisal timelines with budget cycles to allow for more thorough review. Distinct from broader landscape studies of Bangladesh's infrastructure governance, this paper contributes a process-focused, practice-oriented analysis of appraisal mechanics, offering lessons for strengthening public investment management in developing-country contexts.

Keywords: Development Project Proposal (DPP), Project Evaluation Committee (PEC), Public Investment Management, Infrastructure Governance, Corrective Governance Mechanism, Bangladesh

1. Introduction

Public investment is widely recognized as a driver of economic growth, social development, and infrastructure expansion in developing countries. Yet the effectiveness of such investment depends not only on the scale of spending but also on the rigor of project selection and appraisal. International experience shows that weak project preparation and inadequate appraisal often result in cost overruns, implementation delays, and suboptimal development outcomes. International frameworks emphasize the importance of strong appraisal systems in public investment management. The IMF highlights this through its analysis of public investment efficiency (IMF, 2015) and the PIMA framework (IMF, 2018), while the World Bank (2020) and OECD (2015) similarly underscore that robust appraisal systems are essential for safeguarding value for money and aligning projects with national priorities. In Bangladesh, these principles are reflected in national policy instruments, including the Public Investment Management Guidelines issued by the Programming Division (Programming Division, 2023).

In this context, development projects financed through the Annual Development Programme (ADP) undergo a structured appraisal process before approval. At the center of this process are the Development Project Proposal (DPP) and the Project Evaluation Committee (PEC), coordinated by the Planning Commission. While formal guidelines such as the "Green Book" and related appraisal formats are well documented, less attention has been given to how appraisal operates in practice within institutional constraints. This gap is significant, as the quality of appraisal directly influences the efficiency and sustainability of public investment outcomes.

This case study seeks to bridge that gap by examining the appraisal of development projects in Bangladesh as an institutional process. It focuses on the lifecycle of DPPs and the role of PEC as the primary forum for preliminary appraisal. Rather than evaluating individual projects, the study adopts a process-tracing approach, analyzing procedural practices, recurring challenges, and lessons emerging from routine appraisal. By situating Bangladesh's experience within broader debates on public investment management, the paper contributes to practitioner-oriented literature and offers insights for other developing countries seeking to strengthen project appraisal systems under resource and capacity constraints. This study is thematically related to but distinct in scope, method, and contribution from Rahman (2026), which examined the institutional mechanisms of infrastructure project appraisal in Bangladesh, focusing on the DPP and PEC system as formal instruments of governance and accountability within the public investment management framework. While both papers draw on the same institutional setting, they address different research questions. The present paper asks how the procedural practices of the DPP and PEC influence project preparation quality, and what institutional lessons emerge from the gap between formal appraisal guidelines and practical gatekeeping. In doing so, it conceptualises appraisal committees as corrective governance mechanisms that compensate for upstream weaknesses through iterative deliberation, a contribution not addressed in the prior work.

Against this background, the study examines how development project appraisal operates in practice within Bangladesh's public investment management system, focusing on the DPP process and the role of the PEC.

Specifically, the study addresses the following research questions:

1. How do Development Project Proposals (DPP) and Project Evaluation Committee (PEC) processes operate in practice within Bangladesh's project appraisal system?

2. What recurring operational challenges arise during DPP preparation and PEC review?

To address these questions, the study adopts a qualitative case study approach, as outlined in Section 6.

2. Institutional Context of Development Project Appraisal

The Planning Commission of Bangladesh is mandated to appraise and approve development projects in line with national development plans, sectoral strategies, and fiscal priorities. Sector Divisions within the Planning Commission are responsible for technical, economic, and implementation appraisal of project proposals submitted by line ministries and implementing agencies.

Project appraisal is guided by the *Guidelines for formulation, processing, approval and revision of development projects in the public sector* (last amended in June 2022), commonly referred to within the Planning Commission as the "Green Book". In addition, several complementary instruments support the appraisal process, including the Sector Appraisal Format (SAF), the Handbook for DPP Preparation, standard feasibility study formats, and the Public Investment Management (PIM) Guidelines.

The appraisal process is embedded within the broader public investment management system, which links project selection to national plans, the Medium-Term Budget Framework (MTBF), and the ADP. Within this system, the Project Evaluation Committee (PEC) serves as a key institutional mechanism for inter-agency scrutiny and consensus-building.

3. The DPP Lifecycle in Practice

The appraisal process begins with the preparation of a Development Project Proposal (DPP) by the implementing agency. The DPP is expected to define the project rationale, objectives, scope, cost estimates, implementation schedule, procurement plan, and expected outputs and outcomes.

Before submission to the Planning Commission, the DPP is reviewed by the concerned Ministry or Division through the Project Scrutiny Committee (PSC). This stage involves internal scrutiny to ensure alignment with sectoral priorities, budget availability, and administrative feasibility. In practice, this stage often involves multiple revisions as agencies refine cost estimates and implementation arrangements.

Once submitted to the Planning Commission, the DPP enters a formal appraisal cycle within the relevant Sector Division. Appraisal at this stage focuses on compliance with national plans, consistency with ADP priorities, and technical and financial soundness. Projects may undergo several rounds of clarification and revision before being placed to the Project Evaluation Committee (PEC).

4. Role of the Project Evaluation Committee (PEC)

The Project Evaluation Committee (PEC) is the heart of the preliminary appraisal process for development projects. PEC typically comprises representatives from the Planning Commission, the concerned Ministry or Division, the Finance Division, IMED, and other relevant agencies. It provides a structured and inter-agency forum for examining project

proposals from multiple technical, financial, and implementation perspectives.

When a Development Project Proposal (DPP) is received from the concerned Ministry or Division, the Desk Officer of the relevant Sector Division prepares a Working Paper for the Project Evaluation Committee. This Working Paper is prepared based on the prescribed Sector Appraisal Format (SAF) and other supporting documents prepared by the Sector Division, alongside the Ministry Assessment Format (MAF) submitted by the sponsoring Ministry or Division. Both the Working Paper and the DPP are placed before the PEC meeting for deliberation. In cases involving multiple ministries, departments, or sectors within the Planning Commission, additional inter-sectoral coordination may take place before the PEC meeting. For projects of broader national importance or cross-sectoral relevance, the lead Sector Division may organize inter-ministerial consultations with relevant agencies and other sectors of the Planning Commission to address coordination issues prior to formal PEC deliberations.

The appraisal undertaken through the Working Paper follows a structured readiness check and covers several core dimensions. These include:

- *Readiness Check,* assessing the overall preparedness of the project for appraisal
- *Basic Information of the Project*, including review of the logical framework and cost-benefit analysis
- *Relevance to Sector Planning and Budgeting*, ensuring alignment with sector strategies, national plans, and ADP priorities
- *Relevance to Manpower during Project Implementation and Operation,* examining staffing requirements and institutional arrangements
- *Relevance to Costing*, assessing cost realism, phasing, and consistency with implementation capacity
- *Review of Assessment Results Conducted by the Ministry or Division,* including evaluation criteria applied at the ministerial level

PEC deliberations typically examine project scope and objectives, cost estimates and timelines, feasibility study quality, overlap with ongoing projects, and the implementing agency's capacity.

Rather than functioning as a purely approval-oriented body, PEC operates as a problem-solving mechanism. It identifies weaknesses in project design, highlights risks, and provides guidance for improvement. As a result, many projects require revision and resubmission following PEC meetings, reflecting the iterative and corrective nature of the appraisal process.

Through this structured and collaborative approach, the PEC process plays a critical role in enhancing project quality before proposals are approved by the appropriate authority, including ECNEC for large-scale investments.

5. Common Appraisal Challenges Identified

Despite the presence of detailed guidelines, standardized formats, and a structured PEC process, several recurring challenges continue to surface during development project appraisal.

First, **cost realism** remains a persistent concern. Costing is reviewed systematically under the Working Paper, particularly in the costing and phasing assessment sections. However, it often reflects incentive pressures within project preparation, where approval considerations may outweigh technical realism. PEC deliberations frequently require adjustments to reflect market conditions, procurement realities, implementation timelines, and risk contingencies. For example, in several projects reviewed during appraisal, initial cost estimates had to be revised upward after benchmarking against comparable projects and updated market rates.

Second, **the quality of feasibility studies** varies significantly across projects. While feasibility analysis forms a core component of the readiness check and the appraisal framework, some studies remain generic or insufficiently contextualized. Similarly, in some cases, feasibility studies lacked adequate sector-specific analysis, prompting the PEC to seek further clarification before proposals could proceed. This limits their effectiveness in informing decisions on project design, economic justification, and implementation strategy, leading PECs to seek revisions or additional analysis.

Third, **project overlap and duplication** continue to pose challenges, especially in sectors involving multiple implementing agencies. During appraisal, Sector Divisions and PEC members often focus on clarifying project scope and differentiation from existing or ongoing initiatives. Addressing these overlaps is essential to ensure efficient allocation of public resources and coherence within sector programs.

Fourth, **institutional and capacity constraints** within implementing agencies affect project readiness. Issues related to manpower planning, procurement capacity, and implementation arrangements frequently emerge during appraisal, particularly under the manpower and institutional assessment components of the Working Paper. Such gaps often necessitate revisions to project timelines, staffing plans, or execution modalities.

Finally, **time pressure associated with ADP and RADP cycles** can constrain the depth of appraisal. During peak budget preparation periods, multiple projects enter the appraisal pipeline simultaneously, limiting the scope for extended review. While PEC serves as an effective coordination platform, these time constraints can challenge thorough scrutiny, underscoring the importance of stronger upstream project preparation.

Together, these challenges highlight that effective project appraisal depends not only on formal guidelines and procedures but also on the quality of project preparation, institutional capacity, and adequate time for review.

6. Methodology

This study adopts a qualitative case study approach to examine how development project appraisal operates in practice within Bangladesh's public investment management system. The analysis focuses on the procedural dynamics of Development Project Proposals (DPPs) and the role of the Project Evaluation Committee (PEC) as core mechanisms of preliminary appraisal.

A process-tracing approach is employed to examine the sequence of appraisal activities, from project preparation to inter-agency review. This enables identification of recurring procedural patterns and institutional practices that shape appraisal outcomes under administrative and capacity constraints.

The analysis draws on two main sources. First, it uses official appraisal guidelines and procedural documents, including the "Guidelines for Formulation, Processing, Approval and Revision of Development Projects in the Public Sector" (Green Book), the Sector Appraisal Format (SAF), and the Ministry Assessment Format (MAF). Second, it incorporates practitioner-based insights derived from direct professional experience in project appraisal within the Planning Commission, providing an applied understanding of how formal procedures operate in practice.

To maintain analytical rigor, the study focuses on recurring issues observed across appraisal processes, such as cost optimism, variability in feasibility study quality, project overlap, and institutional capacity constraints. Selected anonymized examples are used to illustrate these patterns without referring to specific projects or agencies.

The author's positionality as a practitioner provides contextual insight into institutional processes, while the analysis emphasizes documented procedures and repeated patterns to reduce potential bias.

7. Limitations of the Study

This study is subject to several limitations. As a qualitative case study, it does not provide a quantitative measurement of project performance or a causal estimation of appraisal outcomes. The analysis is based on institutional practices observed within a specific administrative context, which may limit the generalizability of findings to other settings.

In addition, the study draws partly on practitioner-based insights, which, despite efforts to focus on recurring patterns and documented procedures, may involve interpretive bias. However, these insights also provide valuable access to procedural dynamics that are not fully captured in formal guidelines. Future research may build on this work by incorporating quantitative analysis or comparative cross-country evidence to further validate and extend the findings.

8. Lessons and Policy Implications

Several important lessons emerge from this case study of development project appraisal practices in Bangladesh, with implications for strengthening public investment management more broadly.

First, *early and rigorous project preparation is critical.* Strengthening upstream planning, particularly feasibility analysis, logical frameworks, and cost realism, can significantly reduce revision cycles during appraisal and improve overall project readiness before submission to the Planning Commission. Introducing mandatory independent feasibility reviews for large or complex projects would further enhance credibility and reduce risks of cost overruns.

Second, *the Project Evaluation Committee (PEC) mechanism demonstrates the value of structured inter-agency coordination.* Constructive, solution-oriented PEC deliberations not only identify design weaknesses but also contribute to improving project quality through iterative refinement. Sustaining this collaborative approach is essential and could be reinforced by creating a centralized database of PEC recommendations to track follow-up actions and lessons across sectors. In addition, simple digital appraisal tools could support desk officers in managing appraisal workflows more effectively. Tools such as standardized

checklists, shared review platforms, and document tracking systems can also help make PEC deliberations more efficient and outcome-oriented.

Third, *standardized formats and guidelines remain crucial tools for ensuring consistency and transparency.* Instruments such as the Working Paper framework, MAF, SAF, and feasibility study templates provide a structured basis for appraisal. Their effectiveness, however, depends on consistent application and adequate technical capacity within implementing agencies. Regular training and peer-learning workshops could help build familiarity and improve the quality of submissions.

Fourth, *institutional capacity for project preparation and appraisal should be viewed as a long-term investment.* Enhanced capacity in project design, costing, procurement planning, and implementation management can significantly improve public investment outcomes. Dedicated appraisal units within line ministries, supported by sector specialists, would help reduce reliance on ad hoc revisions and strengthen ownership of project quality.

Finally, *time management within the appraisal cycle is essential. The pressure of ADP and RADP deadlines often constrains the depth of review.* Allocating dedicated appraisal windows outside peak budget cycles, or introducing staggered submission schedules, could allow more thorough scrutiny and reduce bottlenecks in the Planning Commission.

Together, these lessons emphasize that effective project appraisal depends not only on formal guidelines and procedures but also on the quality of project preparation, institutional capacity, and adequate time for review. Strengthening these dimensions can help safeguard value for money and improve the developmental impact of public investment projects in Bangladesh and comparable contexts.

9. Conclusion

Development project appraisal in Bangladesh is a structured yet evolving institutional process. Through the appraisal of Development Project Proposals (DPPs) and deliberations of the Project Evaluation Committee (PEC), the Planning Commission plays a central role in safeguarding the quality of public investment. While recurring challenges such as cost optimism, uneven feasibility studies, project overlap, and institutional capacity constraints persist, the appraisal system provides important checks that help align projects with national priorities and implementation realities.

This case study underscores the importance of process-focused analysis in understanding how public investment decisions are made in practice. By documenting the lifecycle of DPPs and the corrective role of PEC, the study highlights how appraisal mechanisms can function as problem-solving platforms rather than mere approval bodies. The lessons identified range from strengthening upstream preparation to investing in institutional capacity. These are relevant not only for Bangladesh but also for other developing countries seeking to improve project appraisal systems under fiscal and administrative constraints.

Looking ahead, comparative research across South Asia and other developing regions could provide valuable insights into how different institutional arrangements shape appraisal outcomes. Such studies would help identify best practices and inform reforms aimed at enhancing project quality, efficiency, and developmental impact. In this way, Bangladesh's experience contributes to a broader dialogue on how public investment management can be

strengthened to deliver sustainable development results across emerging economies.

Readers who wish to explore the broader governance dimensions of Bangladesh's infrastructure appraisal system may find Rahman (2026) a useful companion piece. That study examines the DPP and PEC system from an institutional accountability perspective, offering a wider governance lens that complements the process-level focus of the present paper.

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