PROJCT LIFE CYCLE

Problem Identification

- Also refered to as the *concept stage or need stage* where the project is just a thought
- Someone realizes that there is a problem in search of a solution, or
- An opportunity that the organization can take advantage of.

Definition

- In this stage, a person or group of people accurately describes the problem (or, more positively, the challenge or opportunity) that the project is attempting to solve.
- The definition stage is more often neglected, which helps explain why some projects fail.
- The challenge of definition stage is to take the time to thoroughly describe the problem, beginning with naïve question: What is the problem we're trying to solve?
- Define the problem and its solution from the customer's point of view.

Project Design

- Define the project objectives
- Finalize the project scope
- Identify project activities
- Break each activity into logical components

- Assign resources and
- Create estimates for time and costs
- Go/no go stage
- Outcome is project budget and timeline
- Decides the success of the project

Development

- You expand the resources according to the project plan to complete the activities specified in the project design
- Quality assurance and communication skills are vital

Implementation

- Field testing and measurement
- Product is modified or re-engineered

Evaluation

- Review of a project
- Reports and personal experience with the project
- Indentify areas to improve

Project Management Life Cycle (With Specific Reference to Pakistan)

A project usually brings change resulting in benefits to a target group. Projects involve a group of inter-related activities that are planned and then executed in a certain sequence to create/provide a unique service or output within a specific time frame. The Project Management Life Cycle has five distinct phases:

(1) Identification & Formulation;

(2) Appraisal & Approval;

(3) Implementation;

(4) Completion/Closure; and

(5) Ex-post Evaluation.

These phases are described in detail in the following paragraphs with specific reference to Pakistan:

Project Identification & Preparation

Project identification and its formulation is the most important segment in a project cycle in which the sectoral priorities must be followed. Since such priorities in a sector have competing claims on the limited resources available, it is imperative that various Ministries prepare their sectoral strategy right. Flowing from the national planning document and priorities fixed by NEC and other fora, such sectoral strategy must also take into account the country assistance and partnership strategies of the donors. In advanced countries, there are special organizations which are employed continuously in the field surveys and necessary investigations required for formulation of feasible projects. In less developed/developing countries, unfortunately, there are no such organizations. In Pakistan projects are normally identified by the line Ministries/Divisions, public sector corporations, NGOs, pressure groups and public representatives.

Development projects are prepared on the approved format i.e. PC-I Proforma. Planning Commission has devised three Proformae in 2005, one each for Infrastructure Sector, Production Sector and Social Sector.

It is mandatory that the projects of Infrastructure Sector and Production Sector costing Rs.300.00 million and above should undertake proper feasibility studies before the submission of PC-I. Separate provision has been made in the PSDP, under P&D Division for financing of the cost of feasibility studies of development projects and appointment of Project Directors at initial stage of project formulation. This facility can be availed of by different Ministries/Divisions for undertaking feasibility studies. For mega projects, where huge amount for feasibility studies is involved, a separate proposal on PC-II Proforma is to be submitted for approval. For other low cost projects, in-house feasibility is carried out. Based on the data and positive findings of feasibility study, PC-I is prepared and submitted for approval by the concerned forum.

At the project preparation stage, various indicators such as input, baseline data, outputs and outcome, are determined over the life of project. In addition, viability of the project in terms of financial and economic indicators is also determined, which focus on financial and economic viability of the project. Another important aspect which needs to be considered is the sustainability aspect after completion; how it would yield the required output/outcome. Therefore, due attention has to be given to the sustainability aspect of the project at the preparation stage.

After preparation of PC-I/PC-II, the Principal Accounting Officer has to sign the PC-I/ PC-II certifying that "the project proposal has been prepared on the basis of instructions provided by the Planning Commission for the preparation of PC-I of the concerned sector projects". Thereafter, PC-I/PC-II is to be submitted to the relevant forum for approval/authorization.

Project Appraisal & Approval

The second phase in project cycle is appraisal. If a project is well formulated and thoroughly appraised, a good follow-through on subsequent stages of the project cycle will see to its goals being achieved. Appraisal involves a careful checking of the basic data, assumptions and methodology used in project preparation, an in-depth review of the work plan, cost estimates and proposed financing plan, an assessment of the projects organizational and management aspects, and finally the validity of the financial, economic and social benefits expected from the project. On the basis of such an assessment, a judgment is reached as to whether the project is technically sound, financially justified and viable from the point of view of the economy as a whole. A comprehensive project appraisal is carried out in the Planning Commission at approval stage. All the parameters including Benefit Cost Ratio, Net Present Worth and Internal Rate of Return etc are worked out from financial and economic standpoints for productive and infrastructure projects. While in case of social sector projects viability is worked out on least cost approach and by calculating the unit cost of output and services. The rationale behind the project appraisal is to provide the decision-makers financial and economic yardsticks for the selection/rejection of projects from among competing alternative proposals for investment. If the project is found technically sound, financially & economically viable and socially desirable only then the project is approved. However, sometimes projects are also approved on political considerations and social uplift of certain areas/target groups.

Development projects are approved by the different fora depending upon the cost of the project. The approving limits of each forum in vogue are as under:-

Approving Authority	**Cost Limit**
Departmental Development Working Party (DDWP)	Up to Rs.40 million
Central Development Working Party (CDWP)	Up to Rs.500 million
Executive Committee of National Economic Council (ECNEC)	More than Rs.500 million
Provincial Development Working Party (PDWP)	Rs.5000 million

All the projects irrespective of the cost are to be considered by the DDWP. The projects costing Up to Rs.40 million are approved by the DDWP, while, projects costing more than Rs.40 million are submitted to the CDWP for their consideration.

The CDWP only approves the projects costing Up to Rs.500 million, while, projects costing more than Rs.500 million are recommended to ECNEC for approval.

The PDWP approves the projects Up to Rs 5000 million, for projects, other than irrigation sector, provided no federal funding or external financing is involved in the cost of the project.

Executive Committee of National Economic Council (ECNEC)

The Executive Committee of the National Economic Council (ECNEC) is headed by the Federal Minister of Finance. However, vide ECC decision taken in its meeting held on 28-1-1997, the Adviser to the Prime Minister for Finance and Economic and Planning was designated as its Chairman. Its members include Federal Ministers of economic ministries, Provincial Governors/Chief Ministers or their nominees and the Provincial Ministers concerned. The functions of the ECNEC are:

(a) To sanction development schemes in the public and private sectors.

(b) To allow moderate changes in the plan and in the plan allocations.

(c) To supervise the implementation of economic policies laid down by the NEC or the Government.

Central Development Working Party (CDWP)

The development projects exceeding a certain financial limit prepared by the Central Ministries, Provincial Governments, Autonomous Organizations, etc., are scrutinised for the purpose of approval by the Central Development Working party (CDWP) which is headed by the Deputy Chairman, Planning Commission and which includes as its members the Secretaries of the Federal Ministries concerned with the development and the heads of the Planning Departments of the Provincial Governments. Federal Ministries which are permanent members of the CDWP should not be represented below the rank of Additional Secretary. Similarly the concerned Federal sponsoring/executing agencies should be represented at the level of Head of the Department or Additional Secretary. The schemes approved by the Central Development Working Party costing Rs. 100 million and above are submitted to the Executive Committee of the National Economic Council for final approval.

Departmental Development Working Party (DDWP)

It is a body for approving development projects/ programmes for Federal Ministries/Divisions/ Departments according to their approved financial limits. It is headed by the respective Secretary/ Head of Department and includes representatives of Finance Division and concerned Technical Section in the Planning and Development Division.

Provincial Development Working Party (PDWP)

Each Province has a Provincial Development Working Party which is headed by the Chairman, Development Board/ Additional Chief Secretary (Development) and includes Secretaries of the Provincial Departments concerned with development, as its members. The Provincial Development Working Party scrutinise various projects for inclusion in the Annual and Five Year Plans. It is competent to approve projects upto a certain financial limit. Projects exceeding this limit are submitted to the Central Development Working Party for approval.

Project Authorization

Once the project is approved by the DDWP/CDWP/ECNEC as the case may be, the sanction is issued by the Public Investment Authorization Section of Planning & Development Division in case of projects approved by CDWP and ECNEC, while Provincial Planning & Development Departments issue sanction for the projects approved by the PDWP. In case of DDWP level projects, the sanction is issued by the concerned Ministry/Division

After issuance of sanction letter by the approving authority, the Ministry concerned issues administrative approval of the project. The day, the administrative approval is issued the project implementation period starts.

Project Activation

The next step involved in the activation of the project is the appointment of a Project Director. As per ECNEC decision dated 18th February, 2004, an independent (full time) Project Director should be appointed for the project costing Rs.100 million and above. Project Director can be appointed on additional charge basis, if the cost of the project is below Rs 100 million.

Project Allowance

The project allowance to the employees appointed through transfer (deputation) on full time basis in PSDP funded development projects has been standardized by the Government

Delegation of Powers

According to ECNEC decision, dated 24th April, 2000, the Project Director should be delegated full administrative and financial powers and be made accountable for any lapses. This measure would improve management and help fix technical and financial responsibility.

The Project Director is required to move the case for the delegation of financial and administrative powers by the concerned Principal Accounting Officer.

Allocation of Funds

As a general policy no new project shall be included in the PSDP during currency of the financial year. Exception could be considered in case of only very high priority projects.

New Items Statement (NIS) should be prepared for the project included in the PSDP. It should be approved by the Planning & Development Division & FA Organizations for its inclusion in the PSDP and allocation of funds.

Funds for the successive years should be provided in PSDP through Priority Committee and Annual Plan Coordination Committee (APCC) meetings. The final authority in the approval of funds is the National Economic Council (NEC)

Project Implementation

After the opening of Project Account, the next step should be the hiring of office space and appointment of key project staff. The appointment of project staff under the project should be made through open competition and in transparent manner. In this connection, a recruitment committee for the selection of Project Director chaired by the Principal Accounting Officer along with members from Planning Division, Finance Division and Establishment Division already notified by the Planning Commission should be considered. Approval for the recruitment of project staff is the responsibility of Project Director. No approval is required from any forum if the TOR are provided in the approved PC-I.

The physical activities like civil work, procurement of machinery & equipment, etc., may be undertaken in accordance with the approved Work Plan/Activity Chart.

Project Completion/Closure

The final stage of the project is its completion. The project is considered to be completed / closed when all the funds have been utilized and objectives achieved, or abandoned due to various reasons. At this stage the project has to be closed formally, and reports to be prepared on its overall level of success, on a proforma PC-IV and forwarded to the Projects Wing of Planning Commission.

Project closure involves handing over the deliverables to the concerned authorities, closing of suppliers‟ contracts, and closure of bank account, releasing security money, staff and equipment and informing stakeholders of the closure of the project. However, the closure of the project may not be delayed on account of security money. It is recommended that pay order of security money be got prepared from banks and released after completion of maintenance period as per rules.

For regular operation and maintenance of projects after completion stage, it should be handed over to the agency responsible for maintenance and operation. Timely efforts are required to be made for the handing over of the project and provision of maintenance cost to the authority concerned. This exercise should be taken in hand before six months of the expected completion date.

Post-Evaluation

After closure of the project, annual operation reports have to be submitted to the Planning & Development Division over a period of five years on PC-V proforma.