

Chapter One

Introduction to Project Planning and Analysis

The Project Concept

Project can be defined as an ***investment activity in which financial resources are expended to create capital assets that produce benefits over an extended period of time.***

A project is a ***complex set of activities where resources are used in expectation of return*** and which lends itself to ***planning, financing and implementing*** as a unit.

A project is a ***planned undertaking of interrelated and coordinated activities designed to achieve certain specific objectives*** within a given ***budget and period of time***.

Project is a ***multitask job that has cost, time, and scope requirements and that is done only one time***. (i.e. it is a non-repetitive activity)

project is set of proposals for investment of resources into a clearly defined set of actions that are expected to produce future benefits that exceeds costs.

Characteristics of a Project

- ✓ A project has a *specific* objective – ***an expected result or product***. The objective of a project is usually defined in terms of ***scope, schedule and cost***.
- ✓ A project is expected to meet ***measures of quality and customer satisfaction***.
- ✓ A project ***requires various resources such as people, materials, equipment, and facilities***.
- ✓ A project *has a* ***schedule and takes place within predefined time periods***.

- ✓ A project *requires a budget* (financial plan) for cost and resource allocations.
- ✓ A project is *a unique undertaking*. It may be unique because it has never been attempted before or because of unique customer satisfactions (e.g. developing a new product).

- ✓ A project *has customers*. These customers provide the funds for the completion of the project and may be an individual, a group of people or an organization.
- ✓ A project involves some degree of *uncertainty* in how and when the project objective will be achieved.

Some examples of project:

- ✓ Building a house, dam, road;
- ✓ Designing and implementing a computer system;
- ✓ Hosting a conference;
- ✓ Rebuilding a city.

Importance of a Project

- Project provides a channel for public and private investments,
- Re-channel unused or underemployed resources into productive uses
- Offer expanded opportunities for entrepreneurship.
- Projects have become basic building blocks in the development process.

- For nearly a quarter of a century, projects have been the primary instruments for grants, loan, and technical aid to developing countries by international assistance agencies.
- In a broader context, projects have become vehicles for socio-economic change in many developing countries

Some Important Factors to be known (questions needs to be answered) about a given Project:

1. What should exactly be achieved?
2. Which outcomes are ***important***, which are ***desirable but less important***? What should be included and what should be excluded?

3. How long will it take to achieve results and when would it be sensitive to start?
4. How much it will cost and who would pay for it?
5. What opposition might be encountered, why and from whom?

Types of Project

Projects may be ***classified into three***, depending on *how the new resources committed to them relate to the existing economic activities*

1.The Large Projects (new)

2.Expansion Projects

3.Upgrading Projects

1. The Large Projects

Involve new investment that can establish ***new productive process and independent of previous lines of projects.*** Such projects often include new organization, which is financially independent of the existing organization.

2. Expansion Projects:

These types of projects involve ***repeating or extending an existing activity with the same output, technology and organization.***

Upgrading Projects

Involve ***replacing or changing some elements of an existing activity without major changes of output.***

Such projects involve some changes in technology, but within the context of an

Project can be classified in to two based on the possibility of estimating the cost and benefit associated with them.

- 1. Directly Productive (benefit) Projects:** In such projects the benefits and costs are accrued to a single large organization. This organization is, thus, able to calculate the surplus
- 2. Indirectly Productive (benefit) Projects:** these are projects where the benefits derived from a new project do not accrue to the organization responsible for carrying out the project e.g. Example: roads, schools, health centers,

By considering project goals, these can be classified into two broad groups, industrial and developmental.

1.Industrial projects also referred as commercial projects, which are undertaken to provide goods or services for meeting the growing needs of the customers and providing attractive returns to the investors/stake holders. **These projects are further grouped into two categories i.e., demand based and resource / supply based.**

i. The demand based projects are designed to satisfy the customers felt as well the latent needs such as complex fertilizers, agro-processing, infrastructure etc.

ii. The resource/ supply based projects are those which take advantage of the available resources like land, water, agricultural produce, raw material, minerals & human resource. Eg. of resource based projects include food product, oil refineries etc. Examples of projects based on human resource (skilled) availability include

2. Development projects are undertaken to facilitate the promotion and acceleration of overall economic development. These projects act as catalysts for economic development providing a cascading effect. Development projects cover sectors like irrigation, agriculture, infrastructure health and education.

The Linkage between Projects and Programs

Project: refers to an investment activity where resources are used to create capital assets that produce benefits over time and has a beginning and ending with specific objectives.

Program: refers to an ***ongoing development effort or plan which may not necessarily be time bounded***. Examples could be a road development program, a health improvement program, a nutritional improvement program, a rural electrification program, etc.

Program is, therefore, a ***wider concept than a project***. It may include ***one or several projects*** whose specific objectives are linked to the achievement of higher level common objectives. For Eg, a ***health program may include a water project as well as a construction of health centers*** both aimed at improving the health of a given community,

Similarities and differences between *Projects* and *Programs*

Differences

Projects

- ✓ Specific Objectives
- ✓ Specific Project Area
- ✓ Specific Beneficiary Group
- ✓ Clearly Determined and Allotted Fund
- ✓ Specific Lifetime (Duration Period)

Programs

- ✓ General Objectives
- ✓ No Specific Project Area
- ✓ No Specific Beneficiary Group
- ✓ No Clear and Detailed Financial Resource Allocation
- ✓ No Specific Lifetime (Infinite)

Similarities

1. Both have Objectives or Goals
2. Requiring Financial, Personnel, Material and other Resources
3. Generating Outputs of Goods and/or Services
4. Serving as Instruments for the Execution of Development
5. Plans in order to be able to Develop the National Economy

Projects in general need to be SMART

S - Specific:

- A project needs to be specific in its objective. A project has specific activities (well defined sequence of investment and production activities), and also designed to benefit a specific group of people.

M - Measurable:

- Projects investment, production activities and benefits expected should be identified and valued (expressed in monetary terms) in financial, economic, and if possible, social terms.

A - Area Bounded:

- In designing a project, its area of operation must clearly be identified and delimited. Though some secondary costs and benefits may go beyond the boundary, its major area of operation must be identified.

R - Real:

- Planning of a project and its analysis must be made based on real information. Planner must make sure whether the project fits with real social, economic, political, technical, etc. situations.

T - Time Bounded:

- A project has a clear starting and ending point.
- The overall life of the project must be determined.
- Investment and production activities have their own time sequence.
- Every cost and benefit streams must be ***identified, quantified and valued and presented year-by-year.***

Project Analysis

Project analysis is a method of presenting these choices between competing uses of resources in a convenient and comprehensible fashion. In essence, project analysis assesses the benefits and costs of a project and reduces them to a common denominator.

All countries, particularly developing countries, are faced with the basic economic problem of resource allocation such as labor at all levels of skill, management and administrative capacity, capital, land, and other natural resources and foreign exchange, to many different uses such as current production of consumer goods and public services or investment on infrastructure, industry, agriculture, education and other sectors.

These different uses of resources, however, are not the final aim of the allocation process; rather they are the means by which an economy can marshal its resources in the pursuit of more fundamental objectives such as the removal of poverty, the promotion of growth and the reduction of inequality in income. Pursuit of one objective (better income distribution) however, may involve a sacrifice in other objective (rapids growth).

A choice, therefore, has to be made among competing uses of resources based on the extent to which they help the country achieve its fundamental objectives. If a country consistently chooses allocations of resources that achieve most in terms of these objectives, it ensures that its limited resources are put to their best possible use.