**PROJECT MANAGEMENT LIFE CYCLE**

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.

**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.500.00 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. In case of more complex concepts one of the donors could be required for TA Grant. 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 discount rate used for evaluating the PSDP funded projects is determined by the Finance Division on yearly basis.

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.

**Project Implementation**

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. In reference to Pakistan(The procurement rules of 2004 of PPRA as amended Up to 13th December 2006 are annexed at annex XIX for guidance and facilitation).

**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 (Annex-XX) 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.

If any of the project staff has to be retained for the operation of the project, a case for the shifting of the post in revenue budget may be initiated and got approved from the Finance Division well in time so that continuity in project operation is not hindered and public assets created under the project are properly maintained. 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.