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A Three-Tier Project/Program Management Office (PMO) Structure and Skilled Professionals Are Key In Accelerating Infrastructure Projects, Says the KPMG & Project Management Institute Report

- *For the infrastructure sector, the 12th five year plan promises significant investment to bridge the huge infrastructure deficit. The plan is to double the spending to USD 1 trillion through 2016-17 with 50 percent of the funding to be met by private sector.*
- *Infrastructure sector is considered to be a key driver of economic growth but time and cost overruns threaten to limit the sector's potential to help achieve the desired growth and ensure efficient capital expenditure.*
- *Lack of effective project management is considered a major cause of time and cost overrun. Hence, Project Management Office (PMO) is considered imperative for independent reporting and ensuring project management excellence.*
- *The sector is likely to have a shortage of around 3 million project professionals by 2022.*
- *Shortage of project managers with the requisite skill sets has also emerged as the major cause for concern across the infrastructure sector. Hence formulating project management training for professionals has become imperative to counter the shortage of project professionals well equipped to handle infrastructure projects*

Mumbai, August 6, 2013: Infrastructure plays a paramount role in the economic growth of a country. Infrastructure investments in India have been growing on a consistent basis and in each five year plan the government sets an ambitious target which is higher than the previous one. The 12th Five Year Plan also promises significant investment in infrastructure sector to bridge the huge infrastructure deficit. The plan is to double the spending to USD 1 trillion through 2016-17 with 50 percent of the funding to be met by private sector.

Although, the sector is considered a key driver of economic growth, issues such as regulatory clearances, environmental issues, and problems pertaining to land acquisition threaten to limit the sector's potential to help achieve the desired growth and results in time and cost overruns. To analyse the reasons for schedule and cost overruns across various infrastructural projects running across the country KPMG initiated a report 'Project Schedule and Cost overruns', in partnership with PMI on the request of Ministry of Statistics and Programme Implementation (MoSPI). The report highlights major

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reasons for time and cost overruns surveyed across nine sectors in the Infrastructure space, viz. power, petroleum, coal, steel, railways, roads & highways, civil aviation, ports & shipping, and telecom.

According to the KPMG-PMI report, ineffective project planning and project monitoring is rated as the most significant risk having maximum impact on project delivery. The report highlights that the survey respondents feel that poor programme management also results in ineffective co-ordination with projects and schedule delays. Hence, it is imperative for companies to have effective project management and risk management techniques to monitor and control these risks during the life cycle of a project.

Mr. Neeraj Bansal, Partner, Real Estate and Constructions, KPMG in India, says “There are several external and internal factors contributing to the delay of projects – though the control over external reasons is limited, internal reasons can be curtailed at the project level with improvement in project planning, delivery and monitoring capabilities along with better risk management. Also, program and project management office (PMO) concepts can be effectively deployed towards overcoming these challenges. This was also substantiated from the survey undertaken as part of the KPMG – PMI joint study wherein about 86 percent of the respondents agreed that PMO could be an effective way of monitoring and delivery of projects.”

Mr. Raj Kalady, Managing Director, Project Management Institute, India says “It is a known fact that a large number of infrastructure projects in India have been delayed due to regulatory clearances, environmental issues and problems related to land acquisition. Given the critical role of infrastructure in ensuring a sustained growth trajectory in India, it is imperative to identify the core issues affecting the timely and successful completion of infrastructure projects and chalk out initiatives that need to be acted upon in the short as well as the long term. Almost 79% of the respondents felt that the infrastructure sector faces an acute shortage of skilled project managers. This absence of project managers with the requisite skill sets has emerged as the major cause for time and cost overruns.”

He also added “The report attempts to identify these pertinent issues and also how project management can bring about a positive change in the completion of projects within time and budget. The report aims to provide an insight into the problems that are affecting the successful delivery of infrastructure projects and helps in devising solutions and strategies for overcoming them.”

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The KPMG in India - PMI study 2012 highlights the importance of Project Management Office (PMO) in ensuring successful implementation of projects through deployment of project management leading practices. PMO also helps in proactive risk identification and provides adequate guidance and information for timely decision making. Although, Indian organisations have widely adopted the route of having external/independent Project Management Office (PMO), due to the shortage of qualified project management professionals, the PMOs are not able to function to the desired level of capability.

The KPMG-PMI report includes techniques for improving risk management skills for successful project delivery. It deliberates that developing project risk management framework, conducting independent reviews and developing risk management reports are some factors that could positively impact the risk management in projects.

Further, the report also rates deployment of practices such as centralised sourcing, preparing effective and timely project reports, CEO dashboard and usage of project management tools as the most effective mode to control schedule and cost overruns.

The report emphasizes on promoting balanced Public Private Partnership (PPP) in Infrastructure sector for faster implementation of projects. Although, the Public Private Partnership (PPP) model has evolved in recent times, private investment has fallen short of the targets. Creating a detailed policy for implementing PPP projects, aimed to bring more transparency in the bidding and awarding processes, would boost confidence and increase participation of private investors in the infrastructure sector.

Moreover, the survey also reveals that by 2022, the Indian infrastructure sector is likely to have a shortage of around 3 million project professionals including project managers, civil engineers, planners, surveyors, safety professionals, etc. Hence, it is imperative to increase investment in training and mentoring to develop the requisite skill set in the professionals, deployed across various departments.

About Project Management Institute (PMI)

PMI is the one of the world's largest not-for-profit membership associations for the project management profession. Our professional resources and research empower more than 700,000 members, credential holders and volunteers in nearly every country in the world to enhance their careers, improve their organizations' success and further mature the profession.

PMI's worldwide advocacy for project management is reinforced by our globally recognized standards and certification program, extensive academic and market research programs, chapters and communities of practice, and professional development opportunities.

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KPMG in India is the Indian member firm of KPMG International and was established in September 1993. It strives to provide rapid, performance-based, industry-focussed and technology-enabled services, which reflect a shared knowledge of global and local industries and its experience of the Indian business environment. KPMG in India provides services to over 2,700 international and national clients in India and has offices in Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Hyderabad, Kochi, Kolkata, Mumbai and Pune.

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