

POST GRADUATE DIPLOMA IN PROJECT PLANNING AND MANAGEMENT

**ASSIGNMENT: PROJECT MANAGEMENT & LEADERSHIP MODULE SEVEN**

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**AFRICA INSTITUTE FOR PROJECT MANAGEMENT**

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**Question One:**

**Explain project life cycle process with suitable diagrams**

A project life cycle is the series of phases that a project passes through from its start to its completion. A project phase is a collection of logically related project activities that culminates in the completion of one or more deliverables. The phases can be successive, iterative, or overlapping. The names, number, and duration of the project phases are determined by the management and control needs of the organizations involved in the project, the nature of the project itself, and its area of application. Phases are time bound, with a start and end or control point (sometimes referred to as a phase review, phase gate, control gate, or other similar term). At the control point, the project charter and business documents are reexamined based on the current environment. At that time, the project’s performance is compared to the project management plan to determine if the project should be changed, terminated, or continue as planned.

The project life cycle can be inﬂuenced by the unique aspects of the organization, industry, development method, or technology employed. While every project has a start and end, the speciﬁc deliverables and work that take place vary widely depending on the project. The life cycle provides the basic framework for managing the project, regardless of the speciﬁc work involved.

Though projects vary in size and the amount of complexity they contain, a typical project can be mapped to the following project life cycle structure. (PMI, 2017), Project Management Body of Knowledge, Sixth Edition.

* Starting the project,
* Organizing and preparing,
* Carrying out the work, and
* Closing the project

Project Lifecycle

Generic Phases

**A generic life cycle structure typically displays the following characteristics:**

* Cost and stafﬁng levels are low at the start, increase as the work is carried out, and drop rapidly as the project draws to a close.
* Risk is greatest at the start of the project as these factors decrease over the life cycle of the project as decisions are reached and as deliverables are accepted.
* The ability of stakeholders to inﬂuence the ﬁnal characteristics of the project’s product, without signiﬁcantly impacting cost and schedule, is highest at the start of the project and decreases as the project progresses toward completion. the cost of making changes and correcting errors typically increases substantially as the project approaches completion.

**Question two:**

**What are the roles of data collection and report in project completion?**

**Definition:**

In addition to the primary researcher(s), there might be others involved in the research process that take part in aspects of data management. By clearly defining the roles and responsibilities of the parties involved, data are more likely to be available for use by the primary researchers and anyone re-using the data. Roles and responsibilities should be clearly defined, rather than assumed; this is especially important for collaborative projects that involve many researchers, institutions, and/or groups. Eynden V D., at al (2011). Managing and Sharing Data: A Best Practice Guide for Researchers. Last updated May 2011. <http://www.data-archive.ac.uk/media/2894/managingsharing.pdf>.

**Roles of data collect**

**Examples of roles in data management:**

* data collector
* metadata generator
* data analyzer
* project director
* data model and/or database designer
* computing staff responsible for backup and/or storage
* staff responsible for running instruments
* administrative support staff responsible for grant submission
* specialized skills as defined in the plan (GIS, relational database design/implementation, computer programming of sensors/input forms, etc.)
* external data center or archive.

**Steps for assigning data management responsibilities:**

* For each task identified in your data management plan, identify the skills needed to perform the task
* Match skills needed to available staff and identify gaps
* Develop training/hiring plan
* Develop staffing/training budget and incorporate into project budget
* Assign responsible parties and monitor results.

**Report in project completion:**

The project is unique in nature and it has its end one day, be it completed or closed.

**Project manager** is given the authority to manage the project. A completion report of the project is submitted internally to organization, in brief covering important aspects or based on desired outlines for the project.

Below is a format for submitting Project Completion Report. The document is a suggested reference only and can be customized to the project definition by adding or deleting certain referenced points.

The Government departments may have their own requirements associated with the approval of the projects, and as such they should be considered for the fictionalization of project completion reports. SK Saxena (November 29, 2018) Project Completion Report Format, retrieved from <https://techconsults.in/project-completion-report-format/>

The project completion report is in fact a final progress report providing a comparison between the start of the project and the situation at the end of the project. Moreover, the project completion report includes lessons learnt and recommendations. The project completion report should reflect the opinion of both the implementing team and the beneficiaries.

**Instruction project completion report**

The summary of the evaluation meeting with the beneficiaries makes up the most important part of the final report. In addition, the report should allow the reader to get sufficient insight in the purpose, results and activities of the project. A guidance document for the evaluation meeting with beneficiaries is provided. Finally, the implementing team is requested to write a short text for publication purposes.

**Question Three:**

**What is organizational design? Explain your answer with examples**

**What is organizational Design?**

Organizational design is a step-by-step methodology which identifies dysfunctional aspects of work flow, procedures, structures and systems, realigns them to fit current business realities/goals and then develops plans to implement the new changes. The process focuses on improving both the technical and people side of the business.

For most companies, the design process leads to a more effective organization design, significantly improved results (profitability, customer service, internal operations), and employees who are empowered and committed to the business. The hallmark of the design process is a comprehensive and holistic approach to organizational improvement that touches all aspects of organizational life, so you can achieve:

* Excellent customer service
* Increased profitability
* Reduced operating costs
* Improved efficiency and cycle time
* A culture of committed and engaged employees
* A clear strategy for managing and growing your business

By design we’re talking about the integration of people with core business processes, technology and systems. A well-designed organization ensures that the form of the organization matches its purpose or strategy, meets the challenges posed by business realities and significantly increases the likelihood that the collective efforts of people will be successful.

As companies grow and the challenges in the external environment become more complex, businesses processes, structures and systems that once worked become barriers to efficiency, customer service, employee morale and financial profitability. Organizations that don’t periodically renew themselves suffer from such symptoms as:

* Inefficient workflow with breakdowns and non-value-added steps
* Redundancies in effort (“we don’t have time to do things right, but do have time to do them over”)
* Fragmented work with little regard for good of the whole (Production ships bad parts to meet their quotas)
* Lack of knowledge and focus on the customer
* Silo mentality and turf battles
* Lack of ownership (“It’s not my job”)
* Cover up and blame rather than identifying and solving problems
* Delays in decision-making
* People don’t have information or authority to solve problems when and where they occur
* Management, rather than the front line, is responsible for solving problems when things go wrong
* It takes a long time to get something done
* Systems are ill-defined or reinforce wrong behaviors
* Mistrust between workers and management

**Methodology**

Although adaptable to the size, complexity and needs of any organization, the design process consists of the following steps.

**Charter the design process**

As senior leaders, you come together to discuss current business results, organizational health, environmental demands, etc. and the need to embark on such a process. You establish a charter for the design process that includes a “case for change,” desired outcomes, scope, allocation of resources, time deadlines, participation, communications strategy, and other parameters that will guide the project.

(At times, senior teams may go through either a strategic planning process or an executive team development process prior to beginning a redesign initiative, depending on how clear they are about their strategy and how well they work together as a team.)

**Assess the current state of the business**

You don’t want to begin making changes until you have a good understanding of the current organization. Using our Transformation Model, we facilitate a comprehensive assessment of your organization to understand how it functions, its strengths and weaknesses, and alignment to your core ideology and business strategy. The assessment process is astounding in the clarity it brings an organization’s leaders and members, not only regarding how the organization currently works but how the various parts are interrelated, its overall state of health and, most importantly, what needs to be done to make improvements.

**Design the new organization**

The senior team (and/or others who have been invited to participate in the process), look to the future and develop a complete set of design recommendations for the “ideal future.” At a high level, the steps in this process include the following:

* Defining your basic organizing principle. (Will you organize primarily around functions, processes, customer-types, technologies, geographies, etc.?)
* Streamlining core business processes—those that result in revenue and/or deliverables to customers.
* Documenting and standardizing procedures.
* Organizing people around core processes. Identifying headcount necessary to do core work.
* Defining tasks, functions, and skills. What are the performance metrics for each function/team? How are they evaluated and held accountable?
* Determining facility, layout and equipment needs of various teams and departments throughout the organization.
* Identifying support resources (finance, sales, HR, etc.), mission, staffing, etc. and where should these should be located.
* Defining the management structure that provides strategic, coordinating and operational support.
* Improving coordinating and development systems (hiring, training, compensation, information-sharing, goal-setting, etc.).

At some point the design process morphs into transition planning as critical implementation dates are set and specific, concrete action plans created to implement the new design. And a key part of this step includes communicating progress to other members of the organization. A communications plan is developed that educates people in what is happening. Education brings awareness, and everyone’s inclusion brings the beginning of commitment.

**Implement the design**

Now the task is to make the design live. People are organized into natural work groups which receive training in the new design, team skills and start-up team building. New work roles are learned and new relationships within and without the unit are established. Equipment and facilities are rearranged. Reward systems, performance systems, information sharing, decision-making and management systems are changed and adjusted. Some of this can be accomplished quickly. Some may require more detail and be implemented over a longer period of time.

**Example:**

A few years back we worked with a company within the aluminum industry. The company recognized they were becoming bureaucratic and unresponsive to their customers’ needs. Following a period of assessment of the strengths and weaknesses of the existing organization, they went through a process of organizational redesign in which they organized their front office functions to become more collaborative and customer focused. The diagrams below illustrate, at a high level, this change.

Tech Support

Manufacturing and Shipping

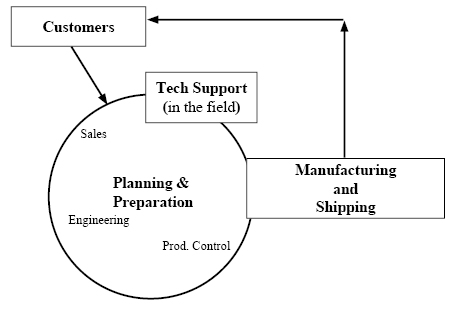
Engineering

Sales

Production and Control

Pre-design workflow

Post-design workflow



The first chart illustrates the tendency of most people within organizations to think in terms of silos and organize people according to the similarity of their functions.

The second chart illustrates how the company redefined structural boundaries to become much more cross-functional on the front end of their business. They combined people from a number from a number of departments into teams that took full responsibility for managing customer orders. The company was able to improve their total billings of a major product line by 50% and increase their margins by 25%.

Of course, this chart greatly simplifies all of the design decisions which included improvements in workflow and system support, and the role of leaders and other support functions in the new organization. But this gives you an idea of the kinds of integration and improved collaboration that can result from organizational design.

**Summary**

This approach to redesign results in dramatic improvements in quality, customer service, decreased cycle times, lower turnover and absenteeism, productivity gains from 25 to at least 50%, etc. The good news is that it can be used in most any type and size of business. The length of time required to complete a redesign varies depending on the nature, size and resources of the organization. Large and complex redesign projects can be completed within several days. Smaller organizations require much less time and fewer resources. (DR. Allen R. K. February 8, 2012) Leadership Development.

**Question Four:**

Discuss the goals of project management and explain the methods of project selection

**Goals of project management:**

**Objectives/Goals**

Project Management has developed in order to plan, co-ordinate and control the complex and diverse activities of modern industrial and commercial projects. All projects share one common characteristic - the projection of ideas and activities into new endeavors.

The purpose of project management is to foresee or predict as many dangers and problems as possible; and to plan, organize and control activities so that the project is completed as successfully as possible in spite of all the risks. The ever-present element of risk and uncertainty means that events and tasks leading to completion can never be foretold with absolute accuracy. For some complex or advanced projects, even the possibility of successful completion might be of serious doubt.

Project management can involve the following activities: planning - deciding what is to be done; organizing - making arrangements; staffing - selecting the right people for the job; directing - giving instructions; monitoring - checking on progress; controlling - taking action to remedy hold ups; innovation - coming up with new solutions; representing - liaising with users.

**Setting Objectives**

Effective objectives in project management are specific. A specific objective increases the chances of leading to a specific outcome. Therefore, objectives shouldn't be vague, such as "to improve customer relations," because they are not measurable. Objectives should show how successful a project has been, for example "to reduce customer complaints by 50%" would be a good objective. The measure can be, in some cases, a simple yes or no answer, for example, "did we reduce the number of customer complaints by 50%?"

While there may be one major project objective, in pursuing it there may be interim project objectives. In lots of instances, project teams are tasked with achieving a series of objectives in pursuit of the final objective. In many cases, teams can only proceed in a stair step fashion to achieve the desired outcome. If they were to proceed in any other manner, they may not be able to develop the skills or insights along the way that will enable them to progress in a productive manner. (Miller B.) Project Smart ~ Exploring trends and developments in project management <https://www.projectsmart.co.uk/purpose-of-project-management-and-setting-objectives.php>

**Objectives can often be set under three headings:**

**1. Performance and Quality**

The end result of a project must fit the purpose for which it was intended. At one time, quality was seen as the responsibility of the quality control department. In more recent years the concept of total quality management has come to the fore, with the responsibility for quality shared by all staff from top management downwards.

**2. Budget**

The project must be completed without exceeding the authorized expenditure. Financial sources are not always inexhaustible and a project might be abandoned altogether if funds run out before completion. If that was to happen, the money and effort invested in the project would be forfeited and written off. In extreme cases the project contractor could face ruin. There are many projects where there is no direct profit motive, however it is still important to pay proper attention to the cost budgets, and financial management remains essential.

**3. Time to Completion**

Actual progress has to match or beat planned progress. All significant stages of the project must take place no later than their specified dates, to result in total completion on or before the planned finish date. The timescale objective is extremely important because late completion of a project is not very likely to please the project purchaser or the sponsor.

**Conclusion**

Project management has developed over the years, and involves various activities before a project is completed. Objectives should be specific so they are measurable, and although there may be one major project objective, there may be minor objectives throughout the project.

**The methods of project selection:**

It happens many times in life that you have many choices when selecting the best option. For example, you may have the option to select which movie you want to see or where you should go for your next vacation.

You may make the decision just randomly, or based upon your experience or suggestions from your family members or friends in your life. (Usmani F., November 16, 2019) Project Selection Methods retrieved from <https://pmstudycircle.com/2014/03/project-selection-methods/>

However, in professional life when you have been given options to make a selection, you go by a set of rules because here, the stakes are high and you cannot afford to make a wrong decision.

Suppose your organization has received many projects, but your organization cannot undertake all projects at once due to resource constraints. Therefore, your organization has to decide to select a project, which is less risky and could provide them with maximum profit and recognition.

There are various methods which help you choose your project wisely. These methods can be divided into two categories:

* Benefit Measurement Methods
* Constrained Optimization Method

Although there is a difference among methodologies used in each technique, the basic principle and ultimate goal are the same, which is to provide your organization with the maximum profit and recognition.

Every organization has a defined process that helps them to choose the right project aligned with its strategic objectives.

Generally, this process is performed by upper management such as the Steering Committee, Project Management Office (PMO), Project Selection Committee, etc.

They will evaluate many areas while evaluating the project, such as:

* Whether they are capable of doing it or not
* If they have all the resources required to complete the project
* If it will help them achieve their objective (recognition and maximum profit)

Now, we will discuss each type of project selection method.

**Benefit Measurement Methods**

This technique is widely used in the selection of projects, which is based on the present value of estimated cash inflow and outflow. Here, you calculate the cost and benefits and then compare them with other projects to make a decision.

We have to understand one crucial concept before we move to benefit measurement techniques: Discounted Cash Flows.

**Discounted Cash Flow**

We all know that the worth of money received today is more than the money received in the future. For example, the value 10,000 USD after ten years will not be the same as today; it’s worth will be far lower than the current value of 10,000 USD.

Therefore, we have to consider the concept of discounted cash flow while calculating the cost invested and return on investment.

Now, let us get back to benefits measurement methods.

The following is a list of techniques used in benefit measurement methods:

* Benefit/Cost Ratio
* Economic Model (Economic Value Added)
* Scoring Model
* Payback Period
* Net Present Value
* Discounted Cash Flow
* Internal Rate of Return
* Opportunity Cost

**Benefit/Cost Ratio**

This technique is also known as the Cost or Benefit Ratio.

As the name implies, it is the ratio between the present value of inflow (cost invested in the project) and the present value of outflow (value of return from the project). If the budget is not a constraint, the project with a higher Benefit-Cost Ratio (BCR) will be selected.

**Economic Value Added (EVA)**

Economic Value Added (EVA) is a performance metric that calculates the worth creation for the organization and defines the return on capital (ROC). It is the net profit after deducting all taxes and capital expenditure.

The project with the higher Economic Value Added (EVA) will be selected if you have many projects. Please note that EVA is expressed in dollar value, not a percentage.

**Scoring Model**

This is more like an objective technique. Here, the project selection committee will list a few relevant criteria, weigh them according to their priorities and importance, and then will add all these weighted values.

The project with the highest score will be selected once you complete scoring the projects.

**Payback Period**

This is the ratio of total cash out with an average per period cash in. In other words, it is the time required to recover the cost invested in the project.

The project with the minimum payback period will be selected if other parameters are the same.

**Net Present Value (NPV)**

This is the difference between the current value of cash inflow and the current value of cash outflow of the project. Net Present Value (NPV) should always be positive, and the project with the highest NPV will be the better option.

**Internal Rate of Return (IRR)**

This is the interest rate at which the Net Present Value becomes zero. In other words, you can say that it is the rate at which the present value of the outflow is equal to the present value of inflows.

You will select the project with the highest IRR if you have many projects to choose from.

**Opportunity Cost**

This is the cost that we are giving up by choosing some other project. You will choose the project with the lesser opportunity cost if you have many projects.

These are the few benefits measurement techniques used in the selection of projects. In general, for most organizations benefits measurement methods are enough to lead them to a decision.

**Constrained Optimization Methods**

This model is also known as the Mathematical Model of project selection, which is used for large projects requiring complex mathematical calculations.

The following is the list of techniques used in the Mathematical Model of project selection:

* Linear Programming
* Non-linear Programming
* Integer Programming
* Dynamic Programming

A detailed discussion of these topics is out of the scope of the PMP Certification exam. For the PMP exam, all you need to know is that these are the Mathematical Model techniques and are used in project selection.

**Summary**

Project selection techniques help you to select a project which could provide you with a better return on investment and recognition. There are various methods to select a project; however, if the project is small and not very complex, you will go for the benefits measurement model. You will go for the constrained optimization method if it is a large and complex project. (Usmani F. November 16, 2019) Project Selection Methods retrieved from <https://pmstudycircle.com/2014/03/project-selection-methods/>

**Question Five:**

**Using examples explain the following:**

1. **Project evaluation**

The principles and policies governing the evaluation of **ILO**-supported projects. It describes how the evaluation of project achievements improves decision-making, organizational learning, accountability and impact. The section clarifies roles and responsibilities and sets out the procedures for managing project evaluations. Project evaluation is a systematic and objective assessment of an ongoing or completed project.

The aim is to determine the relevance and level of achievement of project objectives, development effectiveness, efficiency, impact and sustainability. Evaluations also feed lessons learned into the decision-making process of the project stakeholders, including donors and national partners. Evaluation is also an important part of the **ILO’**s accountability to its donors and to the Governing Body.

1. **Auditing**

**What is internal audit?**

The role of internal audit is to provide independent assurance that an organization’s risk management, governance and internal control processes are operating effectively.

1. **What is its value to the organization?**
2. **The difference between internal and external audit**
3. **Our members**

**What do internal auditors do?**

We have a professional duty to provide an unbiased and objective view. We must be independent from the operations we evaluate and report to the highest level in an organization: senior managers and governors. Typically, this is the board of directors or the board of trustees, the accounting officer or the audit committee.

To be effective, the internal audit activity must have qualified, skilled and experienced people who can work in accordance with the Code of Ethics and the International Standards.

The nature of internal auditing, its role within the organization and the requirements for professional practice are contained within the International Professional Practices Framework (IPPF). The components and the detailed content of the IPPF are available in the Global professional guidance area of the website.

Internal auditors can be engaged in a range of activities which are detailed below. You can also download the below content in our brochure:

**What is internal audit?**

**Assessing the management of risk**

* Assisting management in the improvement of internal controls
* Why is internal audit important to your organization?
* Activities of internal audit
* Evaluating controls and advising managers at all levels
* Evaluating risks
* Analyzing operations and confirm information
* Working with other assurance providers

**What is its value to the organization?**

Internal auditors deal with issues that are fundamentally important to the survival and prosperity of any organization. Unlike external auditors, they look beyond financial risks and statements to consider wider issues such as the organizations’ reputation, growth, its impact on the environment and the way it treats its employees.

In sum, internal auditors help organizations to succeed. We do this through a combination of assurance and consulting. The assurance part of our work involves telling managers and governors how well the systems and processes designed to keep the organization on track are working. Then, we offer consulting help to improve those systems and processes where necessary.

**Want to know more?**

View a video of the Institute's chief executive discussing Internal Audit's value to boards

The difference between internal and external audit.

While sharing some characteristics, internal and external audit have very different objectives. These are explained in the table below: Example

|  |  |  |
| --- | --- | --- |
|  | Internal Audit | External Audit |
| Report to | shareholders or members who are outside the organizations governance structure | The board and senior management who are within the organizations governance structure. |
| Objectives | Add credibility and reliability to financial reports from the organization to its stakeholders by giving opinion on the report | Evaluate and improve the effectiveness of governance, risk management and control processes. This provides members of the boards and senior management with assurance that helps them fulfil their duties to the organization and its stakeholders. |
| Coverage | Financial reports, financial reporting risks. | All categories of risk, their management, including reporting on them. |
| Responsibility for improvement | None, however there is a duty to report problems. | Improvement is fundamental to the purpose of internal auditing. But it is done by advising, coaching and facilitating in order to not undermine the responsibility of management. |

**Our members**

Internal auditors have to be independent people who are willing to stand up and be counted. Their employers value them because they provide an independent, objective and constructive view. To do this, they need a remarkably varied mix of skills and knowledge. They might be advising the project team running a difficult change programme one day, or investigating a complex overseas fraud the next.

From very early on in their careers, they talk to executives at the very top of the organization about complex, strategic issues, which is one of the most challenging and rewarding parts of their role.

**Fiona Warren - Internal Auditor, Leicestershire Partnership NHS Trust:**

'It is a very sociable career and I get to meet new people on a daily basis, who work at all levels, right from Executive Directors to the Managers and frontline staff. It is also immensely rewarding to go back and follow up my work after a year or so and see how my efforts have not only resulted in quantitative improvements, but also been accepted by the relevant people in charge.'

**Assessing the management of risk.**

The profession of internal audit is fundamentally concerned with evaluating an organizations’ management of risk. All organizations’ face risks. For example, risks to the organizations’ reputation if it treats customers incorrectly, health and safety risks, risks of supplier failure, risks associated with market failure, cyber security and financial risks to name some key areas. The key to an organizations’ success is to manage those risks effectively - more effectively than competitors and as effectively as stakeholders’ demand.

To evaluate how well risks are being managed the internal auditor will assess the quality of risk management processes, systems of internal control and corporate governance processes, across all parts of an organization and report this directly and independently to the most senior level of executive management and to the board’s audit committee.

**Assisting management in the improvement of internal controls**

An internal auditor’s knowledge of the management of risk also enables him or her to act as a consultant providing advice and acting as a catalyst for improvement in an organizations’ practices.

So, for example if a line manager is concerned about a particular area of responsibility, working with the internal auditor could help to identify improvements. Or perhaps a major new project is being undertaken – the internal auditor can help to ensure that project risks are clearly identified and assessed with action taken to manage them.

**Why is internal audit important to your organization?**

By reporting to executive management that important risks have been evaluated and highlighting where improvements are necessary, the internal auditor helps executive management and boards to demonstrate that they are managing the organization effectively on behalf of their stakeholders. This is summarized in the mission statement of internal audit which says that internal audit’s role is 'to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight'.

Hence, internal auditors, along with executive management, non-executive management and the external auditors are a critical part of the top level governance of any organization.

**Activities of internal audit**

Below are the key things an internal auditor does. Within these areas, it is important to think of the internal auditor as the organizations critical friend – someone who can challenge current practice, champion best practice and be a catalyst for improvement, so that the organization as a whole achieves its strategic objectives.

**Evaluating controls and advising managers at all levels**

Internal audit’s role in evaluating the management of risk is wide ranging because everyone from the mailroom to the boardroom is involved in internal control. The internal auditor’s work includes assessing the tone and risk management culture of the organization at one level through to evaluating and reporting on the effectiveness of the implementation of management policies at another.

**Evaluating risks**

It is management’s job to identify the risks facing the organization and to understand how they will impact the delivery of objectives if they are not managed effectively. Managers need to understand how much risk the organization is willing to live with and implement controls and other safeguards to ensure these limits are not exceeded. Some organizations will have a higher appetite for risk arising from changing trends and business/economic conditions. The techniques of internal auditing have therefore changed from a reactive and control based form to a more proactive and risk based approach. This enables the internal auditor to anticipate possible future concerns and opportunities providing assurance, advice and insight where it is most needed.

**Analyzing operations and confirm information**

Achieving objectives and managing valuable organizational resources requires systems, processes and people. Internal auditors work closely with line managers to review operations then report their findings. The internal auditor must be well versed in the strategic objectives of their organization and the sector in which it operates in, so that they have a clear understanding of how the operations of any given part of the organization fit into the bigger picture.

**Working with other assurance providers**

Providing assurance to executive management and the board’s audit committee that risks are being managed effectively is not the exclusive domain of internal audit. There are likely to be other assurance providers who perform a similar role. This can include risk management professionals, compliance officers, fraud investigators, quality managers and security experts to name just a few. The difference between these assurance sources and internal auditors is that internal audit are independent from management operations and are able to give objective and unbiased opinions about the way risk are reported and managed. Internal audit’s independence of executive managements is achieved through its functional reporting line to the chair of the audit committee and an administrative reporting line to the chief executive, as the most senior executive.

The interesting aspect within this structure is that internal auditors can work constructively with other assurance providers to make sure the board’s audit committee receives all the assurance they need to form an opinion about how well the organization is managing its risks. It also means that the available assurance resources are optimized by avoiding duplication and gaps in the provision of assurance. Teamwork and developing effective working relationships is a key feature of internal auditing.

But like all professions, internal audit has its own skills and its own qualifications, technical standards and codes of practice.

These are all provided through the internal audit professional body – the Chartered Institute of Internal Auditors. As an affiliate member of the global Institute of Internal Auditors, the Chartered Institute of Internal Auditors promotes the International Professional Practices Framework (IPPF) in the UK and Ireland, so that internal auditors here around the world work towards a globally agreed set of core principles and standards.

Whilst the financial skills of accountants are very useful, to do their job effectively, internal auditors must possess a high level of technical internal auditing skills and knowledge. They must also be effective communicators, good project managers, analytically strong and good negotiators. (May 23, 2019), Strategic planning for Internal Audit: A CAE’s Guide to Driving Value.

1. **Termination**

**Project Termination**

Project termination is one of the most serious decisions a project management team and its control board have to take. It causes frustration for those stakeholders who sincerely believed - and in most cases still believe – that the project could produce the results they expected, or still expect. The project manager and his or her team members, very important stakeholders of the project as well, will feel that they personally failed. They also will be scared of negative consequences for their careers; their motivation and consequently, productivity will decrease significantly.

In contrast to that, we are convinced that conscious project termination at the right time, based on clear and well communicated criteria, profoundly discussed with the whole project management team, and finally mutually decided, is one of the boldest actions the involved or affected members of an organization can take.

What can we do to avoid those negative consequences? Here, we list what we hear in our training, consulting, and coaching sessions, together with our own experiences:

* A clearly communicated strategy of the organization
* Clearly communicated reasons why and how the project supports that strategy, and under what conditions it does not
* Clearly set and communicated project success criteria (in terms of scope, schedule, and budget), if possible clearly set and communicated termination criteria
* High level management attention, even for smaller projects, and even then when everything still seems to be on track
* Periodical review meetings with the control board
* Open discussions with the control board about problems and possible solutions or alternatives, including termination
* In case the project has to be terminated, a clear commitment of the control board and high level management towards the project management team in order to enable the team to follow the project closure procedures
* Upon successful termination, similar rewards and incentives for the project manager and his or her team as with regular project closure

**Reasons why project termination becomes necessary**

* Technical reasons
* Requirements or specifications of the project result are not clear or unrealistic
* Requirements or specifications change fundamentally so that the underlying contract cannot be changed accordingly
* Lack of project planning, especially risk management
* The intended result or product of the project becomes obsolete, is not any longer needed
* Adequate human resources, tools, or material are not available
* The project profit becomes significantly lower than expected, due to too high project cost or too low project revenue
* The parent organization does not longer exist
* The parent organization changes its strategy, and the project does not support the new strategy
* Force majeure (e.g. earthquake, flooding, etc.)
* Necessary conditions disappear
* Lack of management support
* Lack of customer support

Whenever - along the life cycle of a project - it becomes clear that we have to terminate it, there will be achievements we need to document. The least achievement is new knowledge and experience about what does not work. We need to document this so that the organization does not run into a similar situation again. Therefore, we emphasize again that it is vital to run the regular project closure procedures for a project we have to terminate. As such, adequate project termination marks successful project management. (Stoemmer P. 2009), project-management-knowhow.com

**Question Six:**

**What is expected of a project leader?**

What is expected of a leader?

As a third part of our brief review of project leadership literature, we have looked into the publication activities of the International Journal of Project Management during the past two decades. The aim of this reading was to analyze the extent to which project leadership is actively inquired into in the project research community and also to identify any current themes and/or trends in this research. It appeared that the number of articles explicitly dealing with any aspect of project leadership was actually very small. Kangis & Lee-Kelley (2000) makes a similar observation: “Despite the plethora of leadership studies in diverse situations, relatively little attention seems to have been given to examining the variables involved in the context of managing the operations of temporary, small groups […]. Project management is a powerful tool for operational management as well as for strategic change. It is also useful for the implementation of initiatives such as business process re-engineering and total quality management, hence its increasing use. Projects are goal-oriented, budget-driven, timeline specific and generally operate

outside the conventional organization structure of a firm. Such characteristics can create interesting challenges for the project manager, who has to cut across established lines of control. However, despite its increased adoption, not much is known on the relationship between leadership behavior and managing these structures.” (Kangis & Lee-Kelley, 2007: 393f). In our sample of articles, the main stream of research on project leadership deals with the relation between the project manager’s leadership style and the situational requirements of specific types of projects. Most of this research draws upon the seminal work by Fielder (1967), which formed the situational/contingency approach to leadership. In short, this approach states that team effectiveness are dependent upon the leader’s personality as related to the perceived environment. In very difficult or very simple situations, task-oriented leaders are preferable, while relationship-oriented leaders are better at handing situations with moderate difficulties. Over the past years, this has been studied in IT services projects (Thite, 2000, Lee-Kelley & Leong, Loong, 2003), construction projects in Thailand (Ogunlana et al, 2002), design consulting projects (Cheung et al, 2001) and in clinical research projects (Kangis& Lee-Kelley, 2000). In general, the research supports Fielder’s hypotheses and identifies certain leadership abilities and traits that are recommendable given the project situation at hand. There are also related research (departing from other conceptual sources) generalizing similar findings to all project managers from a certain national culture (Mäkilouko, 2004), to project managers in relation to line managers (Keegan & Den Hartog, 2004) and to the relation between project managers and project types in general (Müller & Turner, 2007). Common for this research is the assumption that different individuals represent different leadership styles and that they are consequently suitable for different project tasks, types or environments. In all cases, this was investigated by means of quantitative analyses of survey data. In addition, there are also some minor streams of research related to project leadership, again investigating individuals. El-Sabaa (2001) investigated the relation between skill profiles and career paths of project managers, concluding that the continuous broadening of functional and technical skills was necessary for a project management career. Aitken & Crawford (2007) investigated stress coping strategies of project managers, and Gällstedt (2003) made a qualitative study on critical incidents in projects and their relation to perceptions of motivation and stress. None of these did explicitly relate to the general body of leadership research, however.

**Question Seven:**

**Discuss in detail the attributes of a project leader?**

**10 Attributes of an Effective Project Manager**

Effective project management entails having the following attributes that are essential in becoming an effective project manager:

**Effective communication skills.**

One of the qualities of a good manager is being a good communicator so that he can connect with people at all levels. The project manager must clearly explain the project goals as well as each member’s tasks, responsibilities, expectations and feedback.

**Strong leadership skills.**

Effective project management means having strong leadership qualities such as being able to motivate his team and drive them to maximum performance so that they can achieve their goals. **Good decision maker.**

An effective project manager needs to have decision-making skills because there will always be decisions that need to be acted on.

**Technical expertise.**

Since project management software and other related programs are essential in accomplishing the project goals, an effective project manager needs to have sound technical knowledge to understand the issues that are related to the technical aspect. Knowledge of theory as well as the technical side can greatly help the manager in taking strategic initiatives when needed.

**Inspires a shared vision.**

An effective project manager can articulate the vision to his team members very well. A visionary person can lead his people to the right direction as well as easily adapt to the changes that come in the way. They are good at empowering people to experience the vision on their own.

**Team-building skills.**

It is necessary that a team works in unison otherwise the project will undergo various relationship challenges that might hinder its success. Project managers need to know how to give each of them the importance they need by focusing on their positive traits. He has to be fair and just in the way he treats them.

**Cool under pressure.**

As the project goes on, certain incidents could take a toll on the project’s momentum and test the project manager’s patience. It is essential that a project manager keeps his calm at all times and be consistently grounded so as not to lose himself and adversely affect his relationship with the team.

**Good negotiation skills.**

One of the qualities needed for effective project management is the ability to negotiate. In times that conflict arise due to differences in opinion, project managers need sheer negotiating skills to settle the issue and maintain harmony in the team.

**Empathetic.**

Understanding and caring for people as well as being grateful for their help are a few of the things that an empathetic leader shows to his members. It includes understanding the needs of the project and its stakeholders.

**Competence.**

A good manager knows what he is doing, can initiate new projects as well as face the challenges that come with them.

It is necessary for an effective project manager to possess most of these attributes for him to succeed in managing the project. (Martin, August 11, 2016), project management leadership retrieved from <https://www.nutcache.com/blog/10-attributes-effective-project-manager/>

**Question Eight:**

**With the help of the risks and mitigate pyramid explain project financing:**

**Financial Planning-** reiterate that savings is important and so is a fun filled life. Hence planning your savings and expense is the first thing to do to ensure a balance.

In this part, a few indicators and benchmarks for the plan your personal finances along with a few formulae to gulp it down while keeping it as simple as possible to implement.

**First let us understand the Financial Planning Pyramid**;

start here

**TYPICAL PROJECT FINANCING RISKS**

Not all of the risks discussed in this note will be present in each transaction (for example currency risks are not relevant in a domestic project finance), but they highlight the types of issues that lawyers should consider when negotiating and drafting project finance documents. For a discussion of the documents typically entered into in a project finance transaction.

**Construction risk**

In a project financing, the primary, and typically sole, source of income for the repayment of the debt provided by the lenders is the revenue generated by the project (see Practice note, Project finance: UK law overview: Offtake and Offtake agreement). This is known as non-recourse or limited recourse financing. The result is that, until the project is constructed and, at least partly, operational, the project company will likely not be able to repay the lenders. Ensuring the proper and timely construction of the project is therefore an absolutely fundamental consideration for all of the parties. Related concerns include:

* Can the project be completed and operated according to the agreed standards and specifications? During the initial stages of the project, the lenders, together with the sponsors and the relevant technical experts, conduct feasibility and other studies to assess the viability of the project. The parties analyze the design and specifications for the project to determine whether it can generate the revenues necessary to repay the project debt. Performance shortfalls that arise over the life of the project may require a re-evaluation of the anticipated equity returns and debt repayment profile.
* Can the project be completed on budget? The parties agree at the outset the amount of funding that the lenders are willing to provide to support the development and construction of the project. Where construction cost overruns arise, the lenders will not expect, and will likely not agree, to advance additional funds to the project company to help fund the overruns.
* Can the project be completed on schedule? Complying with the construction schedule is critical to ensure that the project company can satisfy its obligations under its offtake agreements and generate revenues to fund scheduled loan repayments.
* Which party should assume the risk and liability for construction delays, costs overrun and performance shortfalls? The project company has no independent source of revenue and is not therefore in a position to bear these costs. Similarly, where the project debt is non-recourse or limited recourse to the project sponsor, the project sponsor is not directly responsible for the repayment of the debt.

The lenders and the project company frequently address the risks associated with the construction of the project by entering into a turnkey construction contract with the construction contractor (or contractors) under which, in exchange for a fixed contract price, any such contractor agrees to construct the project by a specific date and in accordance with the agreed specifications. The project company will likely retain payment of a portion of the contract price pending satisfactory completion of the works. Moreover, the contractor assumes the liability (through the payment of liquidated damages and indemnities) for construction and performance defects and delays. The obligation of any contractor to pay liquidated damages, penalties or indemnities under the construction contract may be supported by parent guarantees, performance bonds or letters of credit. Whether any contractor’s obligations are supported by parent guarantee, a letter of credit or a performance bond depends on the jurisdiction of the project and the entity or entities providing the support**. For a more detailed discussion of these risks and how they are commonly managed.**

**UK Law overview: Security**

Particularly in the case of larger projects, where the construction of the facility may be less straightforward or the technology less proven, the construction contractor may not be prepared to accept some or all construction risk and the sponsors may as a consequence be required to provide additional support. Until the project has been constructed to the standards and specifications envisaged prior to financial close, the sponsor may be required to guarantee the repayment in full of any debt financing (“hell or high water guarantees”) or provide an intermediate level of support such as an obligation to fund cost overruns. Sponsor completion support can be by way of simple contractual guarantee or, particularly where the balance sheet of the sponsor is insufficient to support a potential pay-out under a guarantee, the provision of letters of credit, from banks or other financial institutions, for the benefit of the lenders.

**Operational risk**

Once the project is constructed it must be operated and maintained in such a manner that the project company can comply with its obligations under the other project documents. To ensure that the project operates at the level required to generate the revenues forecasted and needed to repay the loans, project participants must, among other things:

Engage a competent project operator. The operator, who may be the project company, is responsible for the operation and maintenance of the project. In exchange for a fee if it is a third party, the operator provides certain services the project needs to ensure the project’s operational viability. To ensure the operator is invested in the success of the project, the operator is sometimes the project sponsor or one of its affiliates.

Obtain insurance. The project is typically insured against property damage and may also obtain third party liability and business interruption insurance. However, insurance may not be available for the full, often very large, value of the project or, even where it is available the cost may be unaffordable.

Agree to extensive reporting obligations and inspection. Project finance agreements typically include extensive inspection rights and very broad reporting obligations increasing the likelihood that the lenders will be aware of any problems or issues with the project promptly or pre-emptively (and can apply commercial pressure or assist in finding solutions accordingly).

**Question Nine:**

**What are the sources for finance for a project, discuss each in detail**?

**Sources of finance:**

Project finance may come from a variety of sources. The **main sources** include equity, debt and government grants. Financing from these alternative sources have important implications on project's overall cost, cash flow, ultimate liability and claims to project incomes and assets.

**What are equity and debt?**

**Equity** refers to capital invested by sponsor(s) of the PPP project and others.

**Debt** refers to borrowed capital from banks and other financial institutions. It has fixed maturity and a fixed rate of interest is paid on the principal.

**Equity** is provided by project sponsors, government, third party private investors, and internally generated cash. Equity providers require a rate of return target, which is higher than the interest rate of debt financing. This is to compensate the higher risks taken by equity investors as they have junior claim to income and assets of the project. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). (2008) Retrieved from <https://www.unescap.org/ttdw/ppp/ppp_primer/42_providers_of_finance.html>

Lenders of debt capital have senior claim on income and assets of the project. Generally, debt finance makes up the major share of investment needs (usually about 70 to 90 per cent) in PPP projects. The common forms of debt are:

* Commercial loan
* Bridge finance
* Bonds and other debt instruments (for borrowing from the capital market)
* Subordinate loans

Commercial loans are funds lent by commercial banks and other financial institutions and are usually the main source of debt financing. Bridge financing is a short-term financing arrangement (e.g., for the construction period or for an initial period) which is generally used until a long-term financing arrangement can be implemented. Bonds are long-term interest bearing debt instruments purchased either through the capital markets or through private placement (which means direct sale to the purchaser, generally an institutional investor - see below). Subordinate loans are similar to commercial loans but they are secondary or subordinate to commercial loans in their claim on income and assets of the project.

The other sources of project finance include grants from various sources, supplier's credit, etc. Government grants can be made available to make PPP projects commercially viable, to reduce the financial risks of private investors, and to achieve socially desirable objectives such as to induce economic growth in lagging or disadvantaged areas. Many governments have established formal mechanisms for the award of grants to PPP projects. Where grants are available, depending on government policy they may cover 10 to 40 per cent of the total project investment. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), (2008) Retrieved from <https://www.unescap.org/ttdw/ppp/ppp_primer/42_providers_of_finance.html>

**The main providers of finance for the PPP project are:**

* Equity investment from project promoters and individual investors
* National and foreign commercial banks and financial institutions
* Institutional investors
* Capital markets
* International financial institutions

Loans provided by national and foreign commercial banks and other financial institutions generally form the major part of the debt capital for infrastructure projects. The rate of interest could be either fixed or floating. Loans are normally provided for a term shorter than the project period. Often two or more banks and financial institutions participate in making a loan to a borrower known as syndicated loan. Refinancing of the loan is required when the loans are provided for a maturity period shorter than the project period.

In addition to commercial banks, international and regional financial institutions such as the World Bank or the Asian Development Bank often provide loans, guarantees or equity to privately financed infrastructure projects.

Institutional investors such as investment funds, insurance companies, mutual funds, or pension funds typically have large sums available for long-term investment and could represent an important source of funding for infrastructure projects either through private placement or via bonds purchases. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), (2008) Retrieved from <https://www.unescap.org/ttdw/ppp/ppp_primer/42_providers_of_finance.html>

**Question Ten:**

**What is the importance of looking at the sources of finance for a project?**

The three main sources of funding for a business are **revenues from business operations, investor finances such as owner’s, partner’s or venture capital, and loans from individuals or financial institutions.** Businesses need finances for daily operations and to meet essential expenses and payments. Expenses are either short term, such as payroll payments, or long term, such as purchasing buildings. Davoren J. (April 05, 2018) The Importance of Finance in Business, retrieved from <https://yourbusiness.azcentral.com/importance-finance-business-4282.html>

**What is the importance of Financial Management?**

Financial management is one of the most important aspects in business. In order to start up or even run a successful business, you will need excellent knowledge in financial management. So what exactly is this form of management and why is it important? Read on to find out more.

**What is financial management?**

Financial management refers to the strategic planning, organizing, directing, and controlling of financial undertakings in an organization or an institute. It also includes applying management principles to the financial assets of an organization, while also playing an important part in fiscal management. Take a look at the objectives involved:

* Maintaining enough supply of funds for the organization;
* Ensuring shareholders of the organization to get good returns on their investment;
* Optimum and efficient utilization of funds;
* Creating real and safe investment opportunities to invest in.

**Financial management is also made up of certain elements. These include:**

**Financial planning:** This is the process of calculating the amount of capital that is required by an organization and then determining its allocation. A financial plan includes certain key objectives, which are**:**

* Determining the amount of capital required;
* Determining the capital organization and structure;
* Framing of the organization’s financial policies and regulations.
* Financial control: This is one of the key activities in financial management. Its main role is to assess whether an organization is meeting its objectives or not. Financial control answers the following questions:
* Are the organizations’ assets being used competently?
* Are the organizations’ assets secure?
* Is the management acting in the best financial interests of the organization and the key stakeholders?
* Financial decision-making: This involves investment and financing with regards to the organization. This department takes decisions about how the organization should raise finance, whether they should sell new shares, or how the profit should be distributed.

The financial management department of any firm is handled by a financial manager. This department has numerous functions such as:

Calculating the capital required: The financial manager has to calculate the amount of funds an organization requires. This depends upon the policies of the firm with regards to expected expenses and profits. The amount required has to be estimated in such a way that the earning capability of the organization increases.

Formation of capital structure: Once the amount of capital the firm requires has been estimated, a capital structure needs to be formed. This involves debt equity analysis in the short-term and the long-term. This depends upon the amount of the capital the firm owns, and the amount that needs to be raised via external sources.

Investing the capital: Every organization or firm needs to invest money in order to raise more capital and gain regular returns. Hence, the financial manager needs to invest the organizations’ funds in safe and profitable ventures.

Allocation of profits: Once the organization has earned a good amount of net profit, it is the financial manager’s duty to efficiently allocate it. This could involve keeping a part of the net profit for contingency, innovation, or expansion purposes, while another part of the profit can be used to provide dividends to the shareholders.

Effective management of money: This department is also responsible for effectively managing the firm’s money. Money is required for various purposes in the firm such as payment of salaries and bills, maintaining stock, meeting liabilities, and the purchase of any materials or equipment.

Financial control: Not only does the financial manager have to plan, organize, and obtain funds, but he also has to control and analyses the firm’s finances in the short-term and the long-term. This can be done using financial tools such as financial forecasting, ratio analysis, risk management, and profit and cost control. LSBF Blog Staff (September 07 ,2018), importance of financial management retrieved from <https://www.lsbf.org.uk/blog/news/importance-of-financial-management/117410>

**Why is Financial Management important?**

This form of management is important for various reasons. Take a look at some of these reasons:

* Helps organizations in financial planning;
* Assists organizations in the planning and acquisition of funds;
* Helps organizations in effectively utilizing and allocating the funds received or acquired;
* Assists organizations in making critical financial decisions;
* Helps in improving the profitability of organizations;
* Increases the overall value of the firms or organizations;
* Provides economic stability;
* Encourages employees to save money, which helps them in personal financial planning.

**Question Eleven:**

**With the aid of the project finance structure discuss the various participants and their relevance.**

**Government.**

Though local governments generally participate only indirectly in projects, their role is often most influential. The local government’s influence might include: approval of the project, control of the state company that sponsors the project, responsibility for operating and environmental licenses, tax holidays, supply guarantees, and industry regulations or policies, providing operating concessions.

**Project sponsors or owners.**

The sponsors are the generally the project owners with an equity stake in the project. It is possible for a single company or for a consortium to sponsor a project. Typical sponsors include foreign multinationals, local companies, contractors, operators, suppliers or other participants. The World Bank estimates that the equity stake of sponsors is typically about 30 percent of project costs. Because project financings use the project company as the financing vehicle and raise nonrecourse debt, the project sponsors do not put their corporate balance sheets directly at risk in these often high-risk projects. However, some project sponsors incur indirect risk by financing their equity or debt contributions through their corporate balance sheets. To further buffer corporate liability, many of the multinational sponsors establish local subsidiaries as the project’s investment vehicle.

**Project company.**

The project company is a single-purpose entity created solely for the purpose of executing the project. Controlled by project sponsors, it is the center of the project through its contractual arrangements with operators, contractors, suppliers and customers. Typically, the only source of income for the project company is the tariff or throughput charge from the project. The amount of the tariff or charge is generally extensively detailed in the off-take agreement. Thus, this agreement is the project company’s sole means of servicing its debt. Often the project company is the project sponsors’ financing vehicle for the project, i.e., it is the borrower for the project. The creation of the project company and its role as borrower represent the limited recourse characteristic of project finance. However, this does not have to be the case. It is possible for the project sponsors to borrow funds independently based on their own balance sheets or rights to the project.

**Contractor**.

The contractor is responsible for constructing the project to the technical specifications outlined in the contract with the project company. These primary contractors will then sub-contract with local firms for components of the construction. Contractors also own stakes in projects. For example, Asea Brown Boveri “created a fund, ABB Funding Partners, to purchase stakes in projects where ABB is a contractor. Subscribers to the fund are a mixture of institutional investors focused on the energy sector, and the financing arms of big contractors.” Richard Ingham, managing director of the project finance group at Chase Manhattan, argues that much of the infrastructure development “is being driven by the contractors which may ultimately view equity investment as a cost of doing business.”

**Operator.**

Operators are responsible for maintaining the quality of the project’s assets and operating the power plant, pipeline, etc. at maximum efficiency. It is not uncommon for operators to also hold an equity stake in a project. Depending on the technological sophistication required to run the project, the operator might be a multinational, a local company or a joint-venture.

**Supplier.**

The supplier provides the critical input to the project. For a power plant, the supplier would be the fuel supplier. But the supplier does not necessarily have to supply a tangible commodity. In the case of a mine, the supplier might be the government through a mining concession. For toll roads or pipeline, the critical input is the right-of-way for construction which **Customer.**

The customer is the party who is willing to purchase the project’s output, whether the output be a product (electrical power, extracted minerals, etc.) or a service (electrical power transmission or pipeline distribution). The goal for the project company is to engage customers who are willing to sign long-term, offtake agreements is granted by the local or federal government.

**Commercial banks.**

Commercial banks represent a primary source of funds for project financings. In arranging these large loans, the banks often form syndicates to sell-down their interests. The syndicate is important not only for raising the large amounts of capital required, but also for de facto political insurance. Even though commercial banks are not generally very comfortable with taking long term project finance risk in emerging markets, they are very comfortable with financing projects through the construction period. In addition, a project might be better served by having commercial banks finance the construction phase because banks have expertise in loan monitoring on a month-to-month basis, and because the bank group has the flexibility to renegotiate the construction loan. While not part of the project finance angel, the following components make the angel diagram even more complex

**Capital markets.**

Major investment banks have recently completed a number of capital market issues for international infrastructure projects. Through the private placement market, the banks have successfully raised capital from institutional investors. As a consequence, many pundits are touting the capital markets as the instrument of choice for financing emerging markets transactions. The capital market route can be cheaper and quicker than arranging a bank loan. In addition, the credit agreement under a capital market is often less restrictive than that in a bank loan. Furthermore, these financings might be for longer periods than commercial bank lending; might offer fixed interest rates; and can access wider pool of available capital and investors such as pension funds. The disadvantages of capital market financings include: the necessity of preparing a more extensive disclosure document; capital market investors are less likely to assume construction risk; the bond trustee plays a greater role; more disparate investors - not a club of banks; unlike bank debt, proceeds are disbursed in a single lump sum, leading to negative carrying costs.22 Credit agency ratings for project finance transactions, however, are making the capital market route much smoother by making credit evaluations more transparent.

**Direct equity investment funds.**

Private infrastructure funds represent another source of equity capital for project financings. Examples of these funds include AIG Asian Infrastructure Fund ($1.1 billion), Peregrine’s Asian Infrastructure Fund ($500 million), Global Power Investments ($500 million) and the Scudder Latin America Infrastructure Fund ($100 million, with target of $600 million). These funds raise capital from a limited number of large institutional investors. Then their advisory teams screen a large number of infrastructure projects for potential investment opportunities. The funds typically take minority stakes of the infrastructure projects in which they invest.

**Multilateral agencies**.

The World Bank, International Finance Corporation and regional development banks often act as lenders or co-financers to important infrastructure projects in developing countries. In addition, these institutions often based capital requirements; a general decline in commercial bank credit quality.

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