Establishing PMOs in Government Institutions: One of many solutions to under-delivered projects in Africa.

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Abstract

This paper presents a study on the contributions Project Management Offices (PMOs) bring to government institutions towards improved project delivery. The study elaborates on the contributions it brings to infrastructure development in developing (African) countries. While the study focuses on the gains of having a functional PMO in driving the development and implementation of best-practices, it excludes the impact of external risks (political, social, economic, corruption and related vices) to project delivery. The study concludes that establishing PMOs will significantly improve the link between strategic planning and efficient project selection and management within government institutions. With the advent of PMOs, improper management of project risks - which often lead to poor quality products, cost overruns and schedule delays - are better managed. To this end, infrastructure development in Africa will gain tremendously with the establishment of PMOs (capable of providing project management governance and oversight) at government levels. Provision of support at strategic portfolio levels to implementation of procedures and methodologies will directionally steer government infrastructure developments on the path to economic growth.

Key Words: PMO; Infrastructure development; Strategic Planning

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Introduction

Establishing a government Project Management Office (PMO) will help drive portfolio management and project implementation towards improved performance while meeting key strategic objectives. The benefits also minimize the cost of inefficiencies prevalent with current implementation strategies and delivery approaches used in many emerging countries.

The aim of the paper is to present the benefits of a PMO at government levels towards addressing systemic problems prevalent with inefficient project delivery. This is based on the hypothesis that establishing PMOs at government levels will curb inefficiency symbolic with infrastructure development in Africa. In addition, it sets the stage for decision-makers in understanding the root cause of under-delivered projects in Africa.

To this end, the objective is to aid African governments be more cognizance of the importance of establishing government PMOs towards efficient use of resources and the selection and prioritization of projects (at portfolio levels) in meeting long-term strategic goals.

Situation Analysis

Derived from a recent (2010) World Bank publication on the need for increased infrastructure spending in Africa fuelled by growing development needs; a critical look was undertaken into one area that logically explains the reasons for the inefficiencies recorded with project delivery on the Continent. Inefficiencies stemming from improper project governance and oversight is costing the Continent significant sum in wasted resources (~ 30% of development budget).

The publication titled: *Africa's Infrastructure: A Time for Transformation* highlights the fact that approximately $45 billion a year is spent on infrastructure in Africa. The spending takes into account both internal and external financing (Foster & Briceno-Garmendia, 2009). Approximately two – third is domestically sourced. $30 billion of this is financed by African taxpayers and infrastructure users, while $15 billion is from external sources (ibid). It has been identified that the $45 billion /annum is insufficient to meeting growing development demands. To maintain the desired level of growth, Africa's infrastructure will need to dedicate over $93 billion / annum (Foster & Briceno-Garmendia, 2009).

To close the required infrastructure gap, Africa will need to adopt a two prong approach to the problem.

- The first is via elimination of waste and inefficiencies. It has been identified that approximately two-thirds of budget allocated to infrastructure is actually used as intended (Briceno-Garmendia, Smits, & Foster, 2008). Without the need for additional resources there is already potential to save approximately 30 percent simply by addressing institutional bottlenecks that hinder capital execution. Public sector inefficiencies need to be curbed in areas like "overspending" on projects.
- The second is through private participation using variations of public-private partnership programs. Having identified areas of potential savings through increased efficiencies, the remaining gap of $31 billion could be addressed through active private sector participation.

The review however focuses on the formal where there is potential to save approximately 30 percent through efficient use of processes and resources. While there are many tangible reasons for the inefficiencies, the review explores the possible use of PMOs to eliminate some of the inefficiencies recorded amongst public sector (government agencies) led projects.

Literature Review

What are PMOs

A Project Management Office (PMO) is an organizational unit which centralize and coordinate the management of projects under a domain. Its goal is to apply a consistent project management methodology across organizations and even institutions. PMOs oversee the management of projects, programs or a combination of both (PMBOK, 2008). Their function includes the provision of project management support, in the form of standardized policies and procedures; training, and software usage. In some cases, they can act as integral stakeholders and key decision-makers during the initiation stage of projects in keeping business objectives consistent (Ibid). At government and institutional level they have the capacity to provide the missing link between strategy and selecting the right project that aid governments in their efforts towards efficient use of resources in meeting their primary responsibilities.

Introduction of PMOs to Government Institutions

Rather than World Bank Project Implementation Units[2] (PIUs) that are often external to government institutions and have a short-term outlook to capacity development and institutional transformation[3] while carrying out their primary function (project fiduciary, performance monitoring and enhancement), PMOs (as proposed) will be an integral part of institutions, therefore providing direction and applying consistency to project implementation at all levels. This is in addition to promoting capacity development. Their implementation will be more forward-thinking and long-term in strategic outlook. Over all the benefits address two things:

(a) Drive projects to world class standards (consistently driving project development cost, quality and schedule to more efficient standards)

(b) Promote institutional capacity internally.

Impact of not having a Government PMO

The literature review considered the risk of not embracing the concept of establishing a PMO within government. Establishing of a government PMO is key to efficient use of resources towards meeting strategic goals. While the point has been made earlier that there are inefficiencies with current project delivery methods amongst African countries (governments), these inefficiencies have roots in the methodology used in linking projects and programs with strategic objectives. PMOs are known to bridge the gap between strategy and portfolio of projects in efficient and cost-effective ways. With that said, the failures of not investing in PMOs have the tendency to result in inefficient use of government resources and under-delivery of projects.

While the cost (steward by PMOs) of implementing PM support attracts (on average) 5 – 8% of total capital cost, such support helps minimize risk while preventing cost overruns; thereby saving projects up to and in excess of 100 percent of unbudgeted spending.

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[2] PIUs are short term project implementation units often synonymous with large World Bank (WB) financed projects in both developed and developing countries. In their capacity they provide planning and implementation support to WB funded capital projects. They are usually stand-alone units, encouraged to be mainstreamed into existing ministry structures for capacity development and institutional strengthening. However, this is not always the case, going by their primary purpose of safeguarding project fiduciary and performance objectives (Adams, 2005).

[3] In Africa, the WB Operations Evaluation Department (OED) documented the detrimental impact of PIUs on local capacity building, noting that stakeholders in Africa heavily criticized the Bank's use of PIU's. Typically staffed by technical advisers and established outside the regular government structures." OED considered that PIUs, which had assumed many routine ministerial functions, hired away the most competent staff, and created friction with ministries, "have promoted rapid and efficient project implementation at the expense of long-term capacity building." (ibid).

Though the quantitative assessment of not having a PMO could be highly debated, there are qualitative measures that are quite evident. Some of which include:

(a) Lack of a PMO at government levels results in improper project prioritization and mismanagement of resources at portfolio levels creating non-harmonious selection of projects that fail to meet strategic objectives.

(b) Without a PMO, governments are at risk of consistently under-delivering on projects due to lack of / improper application of PM methodologies. Formal project delivery steps are missed resulting in infrequent and improper risk management approach - often leading to cost over-runs and schedule delays. Systemic inefficiency remains prevalent while the problems continue to perpetuate.

(c) Non existence of formal knowledge base platforms where tools like benchmarking metrics are available to measure and assess project performance towards improvements and efficiency.

(d) Less predictability of project and portfolio performance; an area of great importance in accurately forecasting future budget requirements at national levels.

Advantages of Implementing a formal PMO

(a) They support portfolio management by aiding project selection and prioritization towards meeting strategic objectives.

(b) They introduce rigours of PM methodology combined with templates, knowledge base, metrics and standardized tools towards improved and efficient project delivery. Acknowledging that there is no one-size-fits-all PM methodology, applicability of processes including project scalability (based on complexity and size) helps drive the optimal use of resources and tools towards successful project delivery.

(c) They help introduce predictability to project performance.

(d) They aid capturing of lesson learned towards continuous improvement.

Methodology

The methodology applied an epistemological approach to the review of case studies that promote the implementation of PMOs at government levels. Case studies considered were from situation appraisals carried out in Asia, Europe and Africa.

The case studies used were cited from a 2005 publication by James Adams titled: *Guidance Note for Project Management* which assessed the impact Project Management Offices (PMOs) had in strengthening institution (government) capacity during project implementation.

Case Study Review

Three case studies[4] were reviewed in understanding the forces behind the 'successful' management of projects at national levels using internal government staff in similar capacities as PMOs.

[4] Case studies are cited from: Guidance Note for Project Management – Strengthening Institutional Capacity during Project Implementation (2005)

CASE ONE

CHINA

Using Existing Organizational Structures for Project Implementation

Project implementation in China has consistently been satisfactory. Because China has highly decentralized administrative structures, implementation of World Bank-financed projects tends to be the responsibility of provinces and municipalities, through locally established project management offices (PMOs). Multi-province projects typically have a central office in the ministry in Beijing, with lower-tier offices at each sub-national level involved. (World Bank-financed railways projects in China are an exception, and are administered centrally by the Ministry of Railways in Beijing.)

Good project implementation practices include the following:

PMOs established as part of government structures. Even though PMOs have quasi-independent status, they are attached to one of the line departments (e.g., urban construction department of the Ministry of Construction for urban projects; communications department for a highway project). When projects are completed, the PMO may continue to manage the successor project or other externally assisted projects.

Management Responsibility. Typically the director of the parent agency exercises control over the PMO. Higher-level offices are responsible for overall project coordination and equipment procurement, while lower-level offices are responsible for implementation and procurement of works.

Staffing. Staff in PMOs can be seconded from the parent agency or the sub-national office but often there are usually three or four staff for large projects, and only one or two at the municipal level.

Pay Scales. PMO staff received the same salary as they would for other government functions, and the Government covers operational expenses (such as site visits and meals). By law, international procurement in China is undertaken by tendering agencies, which typically pay higher salaries than the government does.

Operating Costs. Projects generally do not cover operating costs of PMOs, but typically finance all equipment needs.

CASE TWO

TANZANIA

Health Sector – From PIU to Government Structures under a Sector-wide Approach

Tanzania's health sector had received considerable attention from the government and several donors for many years, but the country still suffered from high rates of malaria, diarrhea, and perinatal maternal conditions, along with inadequate capacity to manage resources or provide effective service delivery. Multiple donor-assisted projects duplicated generic functions, leading to much inefficiency; ad hoc approaches were driven by availability of funds rather than by an integrated sector plan. Under a new government-led program for the whole sector, donors agreed to follow a sector-wide approach (SWAp) in a phased manner.

The World Bank provided its support through a phased adaptable program loan (with the first phase approved in May 2000, and the second phase in December 2003), pooling funds with several other major donors. Donors agreed not to use any project-specific PIU-type structures in the SWAp. The stand-alone PIU used for the previous Bank-financed operation was phased out at its closing in 1999.

Use of existing structures. Existing institutional structures and government's budgeting mechanisms were used to manage program implementation, including the pooled fund. Responsibility for oversight and coordination of the program rests with the Permanent Secretary (PS) of the Ministry of Health (MOH) in close collaboration with the PS for the Regional Administration and Local Government of the President's Office (PORALG). The Director for Health Policy and Planning (DHPP) is responsible for day-to-day coordination and monitoring, including donor coordination. The MOH strengthened its existing Primary Health Care Secretariat as a Health Sector Reform Secretariat under the DHPP to support this coordination. Accounting, financial management, and procurement are carried out by the MOH's Department of Administration and Personnel as part of its normal functions. To facilitate sustainable institutional development and avoid remuneration distortions, the practice of paying higher salaries to project staff was discontinued, and program implementation and reporting are carried out by civil servants.

Coordination mechanisms. A SWAp committee and a basket financing committee provide mechanisms of continuous policy dialogue, communication, and coordination among over 15 external partners. The SWAp committee, chaired by the PS/MOH, is the forum for coordinating all the donor-assisted activities, financed through parallel or pooled funds. The basket financing committee, co-chaired by the PS/MOH and PS/PORALG, oversees the pooled funds, including approval of work plans, budgets and quarterly release of funds, quarterly reviews of progress and expenditures, and monitoring of achievements against performance indicators.

Refinement. All donors introduce refinements to the joint systems under the program at a feasible pace and scale. Over the past five years, the number of administrative steps has been much reduced, and capacity has been strengthened, as government staff received needed training and gained experience.

CASE THREE

ALBANIA

Public Administration Reform Project – An Integrated Implementation System

The Albania Public Administration Reform Project (PARP) has four primary counterpart agencies, three of which are lodged within the Council of Ministers (CoM): the Department of Public Administration (DoPA), the Secretary General of the Government and the Minister of State for Policy Coordination and Anti-Corruption, the Public Procurement Agency, and the Ministry of Finance. Because the CoM plays a central role in the reform agenda that PARP supports, and to ensure seamless integration of the various components of the project, implementation management was housed within CoM.

Because one of PARP's core objectives is to create a meritocratic civil service, during preparation the DoPA leadership was adamant that the unit responsible for project management administrative tasks should be part of CoM's regular organizational structure, and should be staffed not by consultants but by civil servants, who would be paid civil service salaries from CoM's annual budget.

This unit—the Unit for Implementation of the Public Administration Reform Program (UIPARP)—has performed excellently from its inception, and has handled all project administrative responsibilities (monitoring and reporting of project impact indicators, procurement, and financial management, including accounting, oversight of all contract execution, and preparation of quarterly implementation reports). Each of the project's counterpart entities prepares its own terms of reference (TOR), while UIPARP ensures that TOR and bidding documents meet all Bank requirements and obtains the Bank's feedback and no-objections. UIPARP has representatives on all bid evaluation committees (including, at least, a procurement specialist, and usually one or two other members), along with representatives from the beneficiary entities who have prepared the TOR. Its project implementation reports are good practice models for tracking all stages of project execution (TOR preparation, procurement, contracting, and contract execution, including both reporting on the work undertaken and accounting for the financing flows).

Four factors largely account for UIPARP's excellent performance.

Qualified and Motivated Staff. Civil service salaries were made roughly competitive with relevant private sector comparators shortly after UIPARP was formed. Staffs have the due process protections provided to all civil servants, and are recruited through the competitive and transparent recruitment and selection procedures mandated by the Civil Servants Law.

Properly Managed Staff. The Director of DoPA at the time the UIPARP was staffed was a civil service reform champion. She made clear during recruitment that she expected competence, professionalism, and performance from UIPARP staff, and she provided clear guidance to UIPARP staff regarding performance expectations. Moreover, she acted as an advocate for UIPARP staff within CoM.

No threat to beneficiary entity authority. UIPARP's role is clearly defined as an administrative support function—providing project administration services to support beneficiary entities in mobilizing and overseeing the investments and technical assistance made available through PARP. All substantive aspects of the public administration reform effort are left to the relevant entities.

No source of envy for beneficiary entity staff. UIPARP's staffs are civil servants, subject to the same due process protections (including transparent, competitive recruitment and selection procedures) and paid the same salaries as their colleagues in the beneficiary entities.

Analysis / Discussion

Chinese Case Study

The Chinese case study identified current practice with which provincial and municipal governments manage projects using a local PMO. Multi-provincial projects were however managed centrally from a similar office in Beijing. This was evidence of government borrowing and implementing industry (Project management) best practices (through the use of a PMO) in carrying out governing function and oversight to project delivery. While the details of the degree to which improvements were observed was not stated, the general (summary) findings indicate there was a reasonable degree of satisfaction with which government monitored projects were being implemented using regional PMOs.

Tanzania Case Study

The Tanzania case study showcased the approach used in delivering a health program in the country under a World Bank financed structure. An agreement was reached at the early stage of project initiation that PIUs were not to be employed in managing the project; rather the management would reside primarily with the Ministry of Health in close collaboration with the President's office using acceptable planning and monitoring processes. While the program was delivered successfully, little was mentioned on performance along cost, quality and schedule parameters. From the case study it was also difficult to assess how risk were managed and at what cost. Nonetheless, there was a general degree of satisfaction in the way the internal management team employed PM methodology in providing oversight to the project. With that said, intangible parameters measured, which include institutional strengthening and capacity development, indicate there was satisfaction with the strategy (use of government staff) in providing project monitoring and oversight.

Though the Tanzanian case study was somewhat difficult to ascertain the derived benefits of not implementing the use of formal PIUs or PMOs, It does point out the fact that a government applied PM methodology can indeed be successful. This is an indication that with the right institutional structure and government support, the potential of having a formal PMO can amplify and replicate success across all government projects; resulting in improved performance and efficient use of capital.

Albania Case Study

Similar to the Tanzanian approach, Albania's institutional reform programs brought about successes in how government projects were being implemented. From the case study, it is evident that successes recorded were as a result of governments approach to adopting PM methodologies. This approach also led to reduced dependency on the use of monitoring units – such as those provided by the World Bank (PIUs). While the gains of such strategy were hailed as a great achievement, similar to the Tanzanian case, little was mentioned on the degree of the success.

The implementation of a formal PMO will enhance and improve on current gains and provide a platform to replicate success stories across all government institutions involved in capital projects.

From the foregoing, various government world-wide have directionally begun to adopt the use of PMOs towards improved project performance and prudent use of resources. African governments can begin applying similar concepts. Leveraging the benefits will allow them experience true value between strategic planning and implementation towards economic self-reliance.

It is evident, from the above case studies, that establishing formal PMOs (as part of government establishments) will only introduce value to project delivery at national levels.

Conclusion and Recommendation

The establishment of a functional government PMO will require tremendous support at national levels backed by law. Needless to say their introduction will most likely create healthy tension with existing government institutions which historically have led infrastructure development over the years. While the pains of overcoming such hurdles may appear daunting, the net gains (to the country) are indeed worth the effort.

Its functional role may have to operate at the presidency level of national governments while providing direction, guidance and oversight under a matrix structure to other government ministries / institutions involved with project implementation.

As key stakeholders, their role will ensure that the right project management methodologies, tools and metrics are employed at all times and across all ministries. They will in addition drive efforts towards attaining better degrees of predictability on project performance (cost, quality and timing), which invariably will contribute to better planning and budgeting at strategic levels.

Though government support (strategically) is one half of the equation, actual structuring and establishment of a PMO will require involvement from various ministries, i.e. Strategic Planning, Finance and Infrastructure development.

It is hereby recommended that African governments should strongly consider and adopt the establishment of PMOs at government levels. This will contribute significantly to improved and efficient delivery of projects including the use of resources.

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