

PROJECT PLANNING AND MANAGEMENT

ORGANIZATIONAL, INSTITUTIONAL AND MANAGEMENT FEASIBILITY

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CHAPTER

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Chapter Introduction

A project may have every technical and financial strength —

- Strong market demand
- Appropriate technology
- Positive Net Present Value
- Adequate financing

— but still fail because the responsible organization lacks:

- Clear authority
- Competent management
- Qualified personnel
- Effective systems
- Strong governance
- Institutional sustainability

Central Feasibility Question

“

Does the proposed project have an appropriate organizational structure, competent management, effective systems and sustainable institutional arrangements to implement and operate successfully?

Learning Objectives

By the end of this chapter, students will be able to:

- Explain organizational, institutional and management feasibility
- Distinguish organizational, institutional and managerial analysis
- Design an appropriate project-organizational structure
- Assess governance arrangements
- Analyze the legal and institutional framework
- Evaluate management capacity
- Prepare a human-resource plan
- Define project roles and responsibilities
- Design implementation arrangements
- Assess financial-management systems
- Assess procurement systems
- Establish monitoring and reporting arrangements
- Evaluate organizational risks
- Assess institutional sustainability
- Make an organizational-feasibility recommendation

Chapter Roadmap

This chapter covers:

- | | |
|--------------------------------------|-------------------------------------|
| 1. Meaning and purpose | 1. Implementation arrangements |
| 2. Organizational structure | 2. Financial-management systems |
| 3. Governance arrangements | 3. Procurement systems |
| 4. Legal and institutional framework | 4. Monitoring and reporting systems |
| 5. Management capacity | 5. Institutional sustainability |
| 6. Human-resource planning | 6. Risk analysis and recommendation |
| 7. Roles and responsibilities | |

Opening Reflection

Discussion Question — A project is technically and financially feasible, but:

- No department clearly owns it
- Staff responsibilities overlap
- Procurement approval is slow
- Financial reports are unreliable
- Management turnover is high

Should the project be approved? Explain your answer.

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SECTION 1 Meaning and Purpose

What Is Organizational Feasibility?

Organizational feasibility assesses whether the project has an appropriate structure, authority system, staffing arrangement and operational capacity.

What Is Institutional Feasibility?

Institutional feasibility assesses whether the project fits within the wider:

- Legal environment
- Regulatory framework
- Government structure
- Industry system
- Stakeholder network
- Organizational mandate

What Is Management Feasibility?

Management feasibility assesses whether the responsible managers have the competence and systems required to:

- Plan
- Organize
- Lead
- Coordinate
- Monitor
- Control
- Sustain the project

Combined Feasibility Perspective

The analysis answers three related questions:

Organizational

Is the internal structure appropriate?

Institutional

Does the project fit the external system?

Management

Can competent people implement and operate it?

Why This Analysis Matters

Many projects fail because of:

- Weak leadership
- Unclear accountability
- Inadequate staffing
- Poor coordination
- Weak financial controls
- Procurement delays
- Institutional conflict
- Lack of operational ownership

Relationship with Other Feasibility Studies

Organizational analysis uses information from:

- Technical analysis
- Financial analysis
- Implementation planning
- Risk analysis
- Legal analysis
- Stakeholder analysis
- Environmental and social assessment

Main Outputs

The analysis should produce:

- Organizational structure
- Governance framework
- Legal and institutional assessment
- Management-capacity assessment
- Staffing plan
- Responsibility matrix
- Implementation structure
- Financial and procurement arrangements
- Reporting framework
- Sustainability plan

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SECTION 2 Organizational Structure

What Is Organizational Structure?

Organizational structure defines how:

- Work is divided
- Authority is assigned
- Responsibilities are distributed
- Decisions are made
- Information flows
- Units coordinate

Purpose of Project Structure

A suitable project structure should:

- Clarify accountability
- Support timely decisions
- Facilitate coordination
- Avoid duplication
- Improve communication
- Strengthen control
- Support achievement of objectives

Main Structural Questions

- Who owns the project?
- Who approves major decisions?
- Who manages implementation?
- Which departments participate?
- How are contractors supervised?
- Who receives the completed project?
- Who is accountable for benefits?

Functional Organizational Structure

In a functional structure, project activities are performed within existing departments.

Examples:

- Finance
- Engineering
- Procurement
- Human resources
- Marketing
- Operations

Advantages of Functional Structure

- Uses existing expertise
- Maintains departmental standards
- Efficient use of specialists
- Clear professional supervision
- Lower administrative cost

Limitations of Functional Structure

- Weak project authority
- Slow cross-department decisions
- Competing departmental priorities
- Fragmented accountability
- Limited project focus

Projectized Structure

In a projectized structure, a dedicated project team is formed under a project manager with substantial authority.

Advantages of Projectized Structure

- Strong project focus
- Clear authority
- Faster decisions
- Strong accountability
- Better team integration
- Easier performance control

Limitations of Projectized Structure

- Higher cost
- Possible duplication of resources
- Weak links with departments
- Uncertainty after project closure
- Specialist underutilization

Matrix Structure

A matrix structure combines functional and project authority.

Employees may report to both:

- Functional manager
- Project manager

Types of Matrix Structure

Weak Matrix

Functional manager has greater authority.

Balanced Matrix

Authority is shared.

Strong Matrix

Project manager has greater authority.

Matrix Advantages

- Access to specialists
- Cross-functional coordination
- Flexible resource use
- Stronger project orientation
- Retention of departmental expertise

Matrix Limitations

- Dual reporting
- Authority conflict
- Resource competition
- Role ambiguity
- More meetings
- Slower conflict resolution

Hybrid Structure

A hybrid structure combines different arrangements according to project needs.

Example:

- Dedicated project-management office
- Functional technical teams
- Outsourced construction
- Separate operating unit

Choosing the Structure

Structure should reflect:

- Project size
- Complexity
- Duration
- Risk
- Strategic importance
- Interdepartmental dependence
- Availability of specialists
- Required speed

Structure by Project Size

Small Project

Functional or coordinated structure.

Medium Project

Matrix structure.

Large or Strategic Project

Strong matrix or projectized structure.

Project Management Office

A Project Management Office may provide:

- Standards
- Templates
- Scheduling support
- Risk support
- Reporting
- Portfolio coordination
- Project assurance
- Knowledge management

Organizational Chart

An organizational chart should show:

- Sponsor
- Steering committee
- Project manager
- Functional teams
- Contractors
- Support units
- Reporting relationships

Sample Project Structure



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SECTION 3

Governance Arrangements

What Is Project Governance?

Project governance is the framework through which the project is:

- Directed
- Authorized
- Controlled
- Supervised
- Held accountable

Governance Objectives

Good governance ensures:

- Strategic alignment
- Clear decision rights
- Accountability
- Transparency
- Ethical conduct
- Risk oversight
- Effective escalation

Governance Structure

A governance structure may include:

- Board
- Investment committee
- Project sponsor
- Steering committee
- Project manager
- Internal audit
- Technical committees

Board or Investment Committee

The Board or Investment Committee may:

- Approve major investment
- Allocate capital
- Approve major changes
- Review strategic risks
- Monitor expected benefits
- Decide on termination

Project Sponsor

The project sponsor:

- Owns the business case
- Secures organizational support
- Provides strategic direction
- Resolves escalated issues
- Approves major decisions
- Supports benefit realization

Steering Committee

A steering committee may:

- Review progress
- Resolve interdepartmental issues
- Approve changes within authority
- Review risks
- Ensure stakeholder alignment
- Support the project manager

Project Manager

The project manager is responsible for:

- Planning
- Coordination
- Execution
- Resource management
- Risk management
- Reporting
- Delivery of approved outputs

Governance versus Management

Governance

Determines direction, authority and oversight.

Management

Plans and performs the project work.

Governance asks: “Are we doing the right project?” · Management asks: “Are we delivering the project correctly?”

Decision Rights

Decision rights should specify who may approve:

- Budget
- Procurement
- Contract changes
- Schedule changes
- Scope changes
- Recruitment
- Risk acceptance
- Project closure

Delegation of Authority

Delegation of authority should define:

- Approval thresholds
- Financial limits
- Procurement authority
- Contract-signing authority
- Escalation requirements
- Temporary delegation procedures

Governance Charter

A governance charter may contain:

- Purpose
- Membership
- Roles
- Meeting frequency
- Quorum
- Decision rules
- Reporting requirements
- Conflict-of-interest rules

Governance Meetings

Meetings may include:

- Weekly project-team meeting
- Monthly steering-committee meeting
- Quarterly Board review
- Special risk or change meeting
- Technical review meeting

Governance Information

Decision-makers need timely information on:

- Scope
- Schedule
- Cost
- Risk
- Quality
- Procurement
- Finance
- Benefits
- Decisions required

Governance Failures

Common failures include:

- No active sponsor
- Excessive committees
- Unclear authority
- Delayed decisions
- Political interference
- Weak oversight
- Ignoring project reports

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SECTION 4 Legal and Institutional Framework

Legal Feasibility

Legal feasibility examines whether the project is consistent with applicable:

- Laws
- Regulations
- Contracts
- Licences
- Standards
- Ownership rights
- Institutional mandates

Institutional Framework

The institutional framework consists of the organizations, rules and relationships that influence the project.

Main Institutional Actors

Possible actors include:

- Government ministries
- Local authorities
- Regulators
- Financing institutions
- Industry associations
- Utilities
- Communities
- Suppliers
- Civil-society organizations

Legal-Structure Options

A project may operate as:

- Sole proprietorship
- Partnership
- Private limited company
- Public company
- Cooperative
- State enterprise
- Joint venture
- Special-purpose vehicle

Special-Purpose Vehicle

A Special-Purpose Vehicle is a legally separate entity established for a specific project.

It may support:

- Project financing
- Risk separation
- Joint ownership
- Contracting
- Transparent accounting

Legal-Structure Selection

Consider:

- Ownership
- Liability
- Taxation
- Capital requirements
- Governance
- Financing
- Regulatory requirements
- Transferability of ownership

Regulatory Requirements

Projects may require:

- Business licence
- Investment permit
- Construction permit
- Environmental approval
- Tax registration
- Product certification
- Sector-specific licence
- Operating permit

Contractual Framework

Important project contracts may include:

- Construction contract
- Equipment-supply agreement
- Technology licence
- Loan agreement
- Land lease
- Supply agreement
- Sales agreement
- Employment contract

Land and Property Rights

The project should verify:

- Ownership
- Lease rights
- Boundaries
- Encumbrances
- Zoning
- Access rights
- Resettlement obligations
- Transfer restrictions

Intellectual Property

Intellectual-property considerations may include:

- Patents
- Trademarks
- Copyright
- Software licences
- Trade secrets
- Confidential technical information

Labour-Law Compliance

The project must comply with requirements relating to:

- Employment contracts
- Working hours
- Minimum wages
- Occupational safety
- Social security
- Leave
- Termination
- Nondiscrimination

Tax and Customs Framework

Assess:

- Corporate income tax
- Value-added tax
- Import duty
- Withholding tax
- Tax incentives
- Customs procedures
- Tax holidays
- Depreciation rules

Institutional Mapping

Institution	Role	Interest	Authority	Required Action
Regulator	Licence approval	Compliance	High	Early application
Local government	Land and services	Local development	High	Formal coordination
Utility	Electricity connection	Service provision	Medium	Capacity agreement

Institutional Coordination Risk

Risks may arise from:

- Overlapping mandates
- Conflicting regulations
- Slow approvals
- Weak communication
- Institutional competition
- Unclear responsibility

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SECTION 5 Management Capacity

What Is Management Capacity?

Management capacity is the ability of project leaders to mobilize and coordinate resources to achieve project objectives.

Management-Capacity Dimensions

Assess:

- Leadership
- Strategic planning
- Project management
- Technical knowledge
- Financial management
- Procurement
- Risk management
- Communication
- Decision-making

Management Experience

Relevant experience may include:

- Similar projects
- Similar technology
- Comparable project size
- Same sector
- Contractor management
- Financing management
- Operational start-up

Leadership Capacity

Strong project leadership requires:

- Vision
- Direction
- Integrity
- Accountability
- Communication
- Conflict resolution
- Adaptability
- Decision-making

Strategic Management Capacity

Managers should understand:

- Project contribution to strategy
- Competitive position
- Expected benefits
- Long-term operational implications
- Portfolio priorities
- External environment

Project-Management Capacity

Assess competence in:

- Scope management
- Scheduling
- Cost control
- Risk management
- Procurement
- Quality
- Stakeholder management
- Reporting

Technical Management Capacity

Technical managers should be able to:

- Interpret designs
- Manage technology
- Supervise installation
- Control quality
- Manage maintenance
- Resolve technical problems
- Assure safety

Financial-Management Capacity

Financial managers should be able to:

- Prepare budgets
- Track expenditure
- Manage cash
- Control commitments
- Prepare reports
- Support audits
- Forecast financing requirements

Procurement-Management Capacity

Procurement managers should understand:

- Planning
- Specifications
- Tendering
- Evaluation
- Contracting
- Supplier management
- Contract administration
- Ethical requirements

Change-Management Capacity

Projects often require changes in:

- Systems
- Processes
- Roles
- Technology
- Behaviour
- Organizational culture

Management must prepare people to adopt the project's outputs.

Management-Capacity Assessment Methods

Methods may include:

- Interviews
- Competency assessment
- CV review
- Performance history
- Reference checks
- Previous project review
- Institutional-capacity assessment

Capacity Gap

A capacity gap is the difference between:

Required competence

The competence the project demands.

Available competence

The competence currently in place.

Capacity-Gap Example

Required Area	Required Level	Current Level	Gap
Contract management	High	Moderate	Significant
Financial reporting	High	High	None
Technical commissioning	High	Low	Critical

Capacity-Development Options

- Recruit specialists
- Train existing staff
- Use consultants
- Outsource selected work
- Establish partnerships
- Strengthen systems
- Use technical assistance

Key-Person Risk

A project becomes vulnerable when critical knowledge or authority depends on one individual.

Mitigation may include:

- Deputies
- Documentation
- Knowledge transfer
- Succession planning
- Team-based responsibility

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SECTION 6 Human-Resource Planning

What Is Human-Resource Planning?

Human-resource planning determines:

- Which positions are needed
- How many employees are required
- What competencies are needed
- When staff are required
- How they will be recruited and developed

Human-Resource Planning Process

1. Analyze project activities
2. Identify positions
3. Estimate staffing levels
4. Define competencies

1. Prepare job descriptions
2. Plan recruitment
3. Plan training
4. Estimate personnel cost

Implementation and Operational Staffing

Implementation Staff

Needed temporarily to establish the project.

Operational Staff

Needed to run the project after completion.

Staffing Categories

Staff may include:

- Project management
- Technical specialists
- Finance
- Procurement
- Human resources
- Monitoring and evaluation
- Administration
- Operations
- Support staff

Staffing Estimate

Staffing should reflect:

- Workload
- Technology
- Operating shifts
- Required coverage
- Skill availability
- Legal requirements
- Project schedule

Job Description

A job description should include:

- Job title
- Purpose
- Main duties
- Reporting line
- Decision authority
- Qualifications
- Experience
- Performance indicators

Competency Framework

Competencies may include:

- Technical knowledge
- Analytical skills
- Communication
- Leadership
- Problem solving
- Digital skills
- Ethical conduct
- Teamwork

Recruitment Plan

A recruitment plan should specify:

- Position
- Number required
- Recruitment method
- Timing
- Selection criteria
- Responsible unit
- Estimated cost

Internal versus External Recruitment

Internal Recruitment

Advantages

- Faster
- Lower cost
- Organizational familiarity
- Career development

External Recruitment

Advantages

- New skills
- Wider talent pool
- New perspectives
- Specialist expertise

Training Needs

Training may be required in:

- Technology
- Safety
- Quality control
- Project management
- Financial systems
- Procurement
- Reporting
- Customer service

Training Plan

Training	Target Group	Timing	Provider	Expected Result
Equipment operation	Operators	Before commissioning	Supplier	Safe operation
Financial system	Finance staff	Before launch	System provider	Accurate reporting

Personnel Cost

Personnel cost may include:

- Salaries
- Allowances
- Pension contributions
- Insurance
- Recruitment
- Training
- Travel
- Employee benefits

Staffing Risk

Staffing risks include:

- Skill shortages
- Delayed recruitment
- High turnover
- Inadequate salaries
- Poor performance
- Weak succession planning

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SECTION 7 Roles and Responsibilities

Why Define Roles?

Clear roles prevent:

- Duplication
- Delay
- Conflict
- Unassigned work
- Unauthorized decisions
- Weak accountability

Responsibility Assignment Matrix

A Responsibility Assignment Matrix links activities with responsible individuals or units.

RACI Matrix

RACI stands for:

Responsible

Performs the work.

Accountable

Owns and approves the result.

Consulted

Provides input before action.

Informed

Kept up to date.

Responsible

The person or unit that performs the work.

Several parties may be responsible for different parts of an activity.

Accountable

The person who has final ownership and approves the result.

There should normally be one accountable party per activity.

Consulted

People whose expertise or input is required before a decision or action.

Communication is two-way.

Informed

People who need to receive information about progress or decisions.

Communication is mainly one-way.

Sample RACI Matrix

Activity	Sponsor	Project Manager	Finance	Procurement	Technical
Business case	A	R	C	I	C
Tendering	I	A	C	R	C
Installation	I	A	I	C	R
Financial report	I	A	R	C	I

Terms of Reference

A Terms of Reference document should define:

- Purpose
- Scope
- Authority
- Membership
- Responsibilities
- Deliverables
- Reporting
- Duration

Role Conflict

Role conflict may occur when:

- Authority overlaps
- Reporting lines are unclear
- Responsibilities contradict
- Staff receive competing instructions
- Accountability is shared but not owned

Segregation of Duties

Important functions should be separated where possible.

Examples:

- Requesting
- Approving
- Purchasing
- Receiving
- Paying
- Recording

Segregation Example

The same person should not:

- Request goods
- Approve procurement
- Receive goods
- Authorize payment
- Record the transaction

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SECTION 8 Implementation Arrangements

What Are Implementation Arrangements?

Implementation arrangements define how project activities will be coordinated and delivered.

Main Implementation Options

A project may be implemented through:

- Existing department
- Dedicated project unit
- Special-purpose vehicle
- External contractor
- Joint venture
- Public–private partnership
- Management contract

Existing Department

Using an existing department may be appropriate when:

- Project size is small
- Work aligns with existing responsibilities
- Internal competence is available
- Coordination needs are limited

Dedicated Project Unit

A Project Implementation Unit may be appropriate when:

- Project size is large
- External financing is involved
- Complex coordination is required
- Dedicated reporting is necessary
- Existing capacity is limited

Project Implementation Unit Functions

A PIU may handle:

- Planning
- Procurement
- Financial management
- Contract administration
- Monitoring
- Reporting
- Stakeholder coordination

Outsourced Implementation

Outsourcing may involve:

- Engineering firm
- Construction contractor
- Management consultant
- Technology provider
- Monitoring agent
- Operations contractor

Outsourcing Advantages

- Specialist expertise
- Faster mobilization
- Clear deliverables
- Transfer of selected risks
- Reduced internal workload

Outsourcing Risks

- Dependence on contractor
- Reduced internal learning
- Contract disputes
- Quality problems
- Higher transaction cost
- Weak knowledge transfer

Joint-Venture Arrangement

A joint venture may combine:

- Capital
- Technology
- Market access
- Local knowledge
- Management expertise
- Risk sharing

Implementation Manual

An implementation manual may contain:

- Governance
- Roles
- Procedures
- Approval limits
- Procurement methods
- Financial procedures
- Reporting
- Monitoring
- Risk management

Mobilization Plan

The mobilization plan should cover:

- Appointment of staff
- Office establishment
- Systems installation
- Contractor mobilization
- Bank accounts
- Procurement start-up
- Initial training

Coordination Mechanisms

Coordination may be supported through:

- Regular meetings
- Integrated schedule
- Shared information system
- Action tracker
- Issue log
- Escalation procedures
- Joint planning

Interface Management

Interface management controls interactions among:

- Departments
- Contractors
- Suppliers
- Regulators
- Communities
- Operating units

Transition to Operations

Transition planning should specify:

- Operational owner
- Staff transfer
- Asset handover
- Manuals
- Maintenance
- Budget
- Performance monitoring
- Support period

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SECTION 9

Financial-Management Systems

Financial-Management Feasibility

The project requires systems capable of:

- Budgeting
- Accounting
- Cash management
- Internal control
- Reporting
- Auditing
- Asset management

Financial-Management Objectives

A good system should ensure:

- Funds are used as approved
- Transactions are authorized
- Records are accurate
- Assets are protected
- Reports are timely
- Fraud risk is controlled

Budgeting System

The budget should be linked to:

- Work Breakdown Structure
- Activities
- Cost categories
- Departments
- Funding sources
- Time periods

Chart of Accounts

The chart of accounts should allow recording by:

- Project
- Activity
- Cost category
- Department
- Funding source
- Asset class
- Location

Cash-Management System

Cash management should include:

- Bank-account control
- Cash-flow forecasting
- Payment planning
- Bank reconciliation
- Petty-cash control
- Minimum cash limits

Commitment Control

Commitment control records contractual obligations before payment.

It prevents:

- Overspending
- Double commitments
- Misstatement of available budget
- Unexpected cash requirements

Payment Controls

Payment procedures should require:

- Approved request
- Contract or purchase order
- Receipt evidence
- Invoice verification
- Budget availability
- Authorized approval

Asset Management

Asset systems should record:

- Asset description
- Cost
- Location
- Custodian
- Identification number
- Condition
- Depreciation
- Disposal

Internal Controls

Internal controls may include:

- Approval limits
- Segregation of duties
- Reconciliation
- Physical verification
- Access controls
- Documentation
- Audit trails

Financial Reporting

Financial reports may include:

- Budget versus actual
- Cash-flow report
- Expenditure report
- Commitment report
- Asset report
- Financing report
- Forecast at completion

Audit Arrangements

Audit may include:

- Internal audit
- External audit
- Compliance review
- Systems audit
- Procurement audit
- Technical audit
- Value-for-money review

Financial-Management Capacity Risks

- Weak accounting system
- Delayed reporting
- Poor budget control
- Inadequate segregation
- Unsupported payments
- Weak asset records
- Cash-flow shortages

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SECTION 10

Procurement Systems

Procurement Feasibility

Procurement feasibility assesses whether goods, works and services can be acquired:

- On time
- At reasonable cost
- At required quality
- Through transparent procedures
- Within applicable rules

Procurement-System Components

- Procurement planning
- Specifications
- Market analysis
- Tendering
- Evaluation
- Contract award
- Contract management
- Record keeping

Procurement Plan

A procurement plan should specify:

- Package
- Description
- Estimated cost
- Method
- Start date
- Contract date
- Delivery date
- Responsible officer

Procurement Methods

Methods may include:

- Open competitive bidding
- Restricted bidding
- Request for quotation
- Direct procurement
- Consultant selection
- Framework agreement
- E-procurement

Procurement-Method Selection

Selection depends on:

- Value
- Complexity
- Market availability
- Urgency
- Competition
- Risk
- Applicable regulations

Procurement Committee

A procurement committee may:

- Review solicitation documents
- Oversee evaluation
- Recommend award
- Ensure compliance
- Manage conflicts of interest

Technical Specification

A good specification should be:

- Clear
- Complete
- Functional
- Measurable
- Competitive
- Free from unnecessary brand restriction
- Linked to acceptance criteria

Bid Evaluation

Evaluation should follow:

- Published criteria
- Consistent scoring
- Technical compliance
- Financial comparison
- Due diligence
- Documented recommendation

Contract Management

Contract management includes:

- Performance monitoring
- Deliverable verification
- Payment certification
- Change control
- Claim management
- Dispute resolution
- Contract closure

Supplier Performance

Supplier performance may be assessed through:

- Timeliness
- Quality
- Price
- Responsiveness
- Compliance
- Warranty support
- Documentation

Procurement Risks

- Weak specifications
- Limited competition
- Conflict of interest
- Bid manipulation
- Delivery delay
- Poor quality
- Contract variation
- Supplier default

Procurement-Risk Responses

- Early planning
- Market sounding
- Clear specifications
- Competitive procedures
- Performance guarantees
- Multiple suppliers
- Strong contract administration
- Procurement audit

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SECTION 11 Monitoring and Reporting Systems

Purpose of Monitoring Systems

Monitoring systems provide evidence on:

- Progress
- Cost
- Quality
- Risk
- Procurement
- Outputs
- Outcomes
- Corrective actions

Monitoring-System Components

A monitoring system should include:

- Indicators
- Baselines
- Targets
- Data sources
- Collection methods
- Responsibilities
- Frequency
- Reporting formats

Implementation Indicators

Examples include:

- Activities completed
- Procurement packages awarded
- Construction completed
- Staff recruited
- Equipment installed
- Training delivered

Management Indicators

Examples include:

- Decision turnaround time
- Procurement lead time
- Budget variance
- Staff vacancy rate
- Overdue actions
- Reporting timeliness

Financial Indicators

Examples include:

- Budget utilization
- Cash balance
- Commitment level
- Cost variance
- Forecast at completion
- Outstanding advances

Institutional Indicators

Examples include:

- Systems established
- Policies approved
- Staff trained
- Compliance level
- Audit issues resolved
- Operational ownership established

Reporting Structure

A reporting structure should specify:

- Report type
- Preparer
- Reviewer
- Approver
- Recipient
- Frequency
- Deadline

Sample Reporting Schedule

Report	Frequency	Prepared By	Reviewed By
Progress report	Monthly	Project Manager	Steering Committee
Financial report	Monthly	Finance Manager	Project Manager
Risk report	Quarterly	Risk Owner	Sponsor
Board report	Quarterly	Sponsor	Board

Management Dashboard

A dashboard may show:

- Overall status
- Schedule progress
- Cost performance
- Procurement status
- Top risks
- Decisions required
- Staffing
- Expected benefits

Traffic-Light Reporting

Green

Within approved tolerance.

Amber

At risk and requiring management attention.

Red

Significant deviation requiring immediate intervention.

Reporting Quality

Reports should be:

- Accurate
- Timely
- Complete
- Consistent
- Evidence-based
- Decision-oriented
- Transparent

Reporting Weaknesses

- Excessive narrative
- Inconsistent figures
- Late submission
- Hidden problems
- No variance explanation
- No corrective action
- No decision request

Information Systems

Information systems may support:

- Budget control
- Procurement tracking
- Document management
- Risk registers
- Scheduling
- Dashboards
- Audit trails

Data Governance

Data governance should address:

- Ownership
- Access
- Accuracy
- Security
- Confidentiality
- Retention
- Backup
- Reporting standards

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SECTION 12 Institutional Sustainability

What Is Institutional Sustainability?

Institutional sustainability is the ability of the responsible organization to continue operating, maintaining and financing project results after implementation support ends.

Sustainability Dimensions

Institutional sustainability depends on:

- Legal mandate
- Governance
- Management
- Finance
- Human resources
- Systems
- Stakeholder support
- Operational ownership

Operational Sustainability

Operational sustainability requires:

- Qualified staff
- Operating procedures
- Maintenance
- Inputs
- Technical support
- Reliable systems
- Operational budget

Financial Sustainability

Financial sustainability may require:

- Revenue
- User fees
- Budget allocation
- Cost recovery
- Long-term financing
- Subsidy
- Working capital

Human-Resource Sustainability

Assess whether the organization can:

- Retain skilled staff
- Offer competitive compensation
- Provide career development
- Replace departing employees
- Transfer knowledge
- Maintain staffing levels

System Sustainability

Systems should be:

- Documented
- Affordable
- User-friendly
- Maintained
- Integrated
- Supported locally
- Regularly updated

Governance Sustainability

Sustainable governance requires:

- Stable ownership
- Clear accountability
- Effective oversight
- Transparent decisions
- Ethical conduct
- Long-term leadership commitment

Stakeholder Ownership

Sustainability improves when:

- Users participate
- Managers accept responsibility
- Government supports the project
- Communities see benefits
- Staff understand the system
- Operating units control resources

Exit and Transition Strategy

A transition strategy should define:

- When project support ends
- Who assumes responsibility
- Which staff transfer
- How assets are maintained
- How operating costs are financed
- How performance will be monitored

Institutionalization

Institutionalization occurs when project practices become part of normal organizational operations.

It may involve:

- Approved policies
- Permanent positions
- Annual budgets
- Standard procedures
- Integrated information systems
- Management accountability

Sustainability Risks

- Dependence on external consultants
- No operating budget
- Weak local ownership
- Staff turnover
- Technology without support
- Unclear maintenance responsibility
- Political or policy change

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SECTION 13 Organizational Risk Analysis

Major Organizational Risks

- Leadership failure
- Role conflict
- Staff shortage
- Slow decisions
- Weak coordination
- Governance interference
- Inadequate systems
- Resistance to change

Institutional Risks

- Regulatory change
- Licence delay
- Mandate conflict
- Policy instability
- Stakeholder opposition
- Weak government coordination
- Legal disputes

Management Risks

- Inexperienced managers
- Weak project controls
- Poor communication
- Inadequate risk management
- Lack of accountability
- High turnover
- Decision paralysis

Financial-System Risks

- Weak budgeting
- Fraud
- Unsupported expenditure
- Cash shortages
- Late reporting
- Asset loss
- Audit qualification

Procurement-System Risks

- Late procurement
- Noncompetitive methods
- Poor specifications
- Supplier failure
- Cost escalation
- Contract disputes
- Corruption

Risk-Response Options

Possible responses include:

- Strengthen governance
- Recruit specialists
- Clarify roles
- Train staff
- Improve systems
- Outsource selected functions
- Establish technical assistance
- Create escalation procedures

Organizational-Risk Register

Risk	Probability	Impact	Response	Owner
Delayed recruitment	High	High	Start early recruitment	HR Manager
Procurement bottleneck	Medium	High	Dedicated procurement team	Procurement Head
Weak operational ownership	Medium	High	Assign benefit owner	Sponsor

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SECTION 14 Feasibility-Assessment Framework

Organizational-Feasibility Questions

- Is the structure appropriate?
- Are reporting relationships clear?
- Is authority sufficient?
- Are coordination mechanisms effective?
- Is the project owned by an operating unit?
- Can the organization absorb the project?

Governance-Feasibility Questions

- Is there an active sponsor?
- Are decision rights defined?
- Are approval thresholds clear?
- Is oversight independent?
- Are escalation procedures established?
- Are conflicts of interest controlled?

Legal and Institutional Questions

- Is the project legally permitted?
- Are licences obtainable?
- Is ownership clear?
- Are contracts enforceable?
- Are institutional mandates compatible?
- Are key external agencies supportive?

Management-Feasibility Questions

- Are managers experienced?
- Are technical skills available?
- Can contracts be managed?
- Can change be led?
- Are systems reliable?
- Can performance be monitored?

Human-Resource Questions

- Are staffing levels realistic?
- Are competencies defined?
- Are skilled employees available?
- Are salaries competitive?
- Is training planned?
- Is succession addressed?

System-Feasibility Questions

- Can budgets be controlled?
- Can procurement be completed on time?
- Can expenditures be reported?
- Can assets be tracked?
- Can data be verified?
- Can audits be supported?

Sustainability Questions

- Who will operate the project?
- Who will finance recurring costs?
- Who will maintain assets?
- Will qualified staff remain?
- Are procedures institutionalized?
- Are benefits owned and monitored?

Feasibility Rating

The project may be rated as:

- Strongly feasible
- Feasible
- Feasible with conditions
- Requiring substantial capacity development
- Institutionally infeasible

Conditions for Approval

Approval conditions may include:

- Establish project unit
- Recruit key personnel
- Approve governance charter
- Upgrade financial system
- Complete procurement manual
- Secure licences
- Prepare transition plan

APPLYING THE FRAMEWORK

Practical Application

MBA Case Exercise

Proposed Agro-Processing Plant — the project includes:

- ETB 500 million investment
- Imported machinery
- 150 employees
- Regional distribution
- Bank financing
- Multiple government licences

Organizational-Structure Exercise

Students should choose between:

- Functional
- Matrix
- Projectized
- Special-purpose vehicle

and justify the choice.

Governance Exercise

Design a governance structure containing:

- Board
- Project sponsor
- Steering committee
- Project manager
- Technical team
- Finance and procurement teams

Legal and Institutional Exercise

Identify required interaction with:

- Investment authority
- Tax authority
- Environmental regulator
- Local government
- Utility providers
- Bank
- Industry regulator

Management-Capacity Exercise

Assess capacity in:

- Project management
- Engineering
- Finance
- Procurement
- Human resources
- Operations
- Marketing

Staffing-Plan Exercise

Prepare a staffing plan for:

- Project implementation
- Plant operation
- Finance
- Quality control
- Maintenance
- Procurement
- Sales

RACI Exercise

Prepare a RACI matrix for:

- Design approval
- Equipment procurement
- Construction supervision
- Recruitment
- Commissioning
- Financial reporting
- Handover

Financial-System Exercise

Design controls for:

- Budget approval
- Purchase request
- Payment
- Bank reconciliation
- Asset recording
- Financial reporting
- Audit

Procurement-System Exercise

Prepare arrangements for:

- Machinery
- Construction
- Vehicles
- Raw materials
- Consultancy
- Information systems

Monitoring Exercise

Select indicators for:

- Staff recruitment
- Procurement progress
- Construction
- Budget
- Licences
- Training
- Operational readiness

Sustainability Exercise

Prepare a plan covering:

- Operating budget
- Maintenance
- Staff retention
- Supplier support
- Technical knowledge
- Operational ownership
- Benefits monitoring

Group Assignment

Each group should prepare:

- | | |
|--|-----------------------------------|
| 1. Organizational-feasibility assessment | 1. Implementation arrangement |
| 2. Organizational chart | 2. Financial-management framework |
| 3. Governance structure | 3. Procurement framework |
| 4. Legal and institutional map | 4. Monitoring and reporting plan |
| 5. Management-capacity matrix | 5. Sustainability strategy |
| 6. Human-resource plan | 6. Organizational-risk register |
| 7. RACI matrix | 7. Final recommendation |

CONSOLIDATING THE CHAPTER

Chapter Review

Common Organizational Mistakes

- Designing structure after implementation begins
- Assigning responsibility without authority
- Creating excessive committees
- Ignoring operational ownership
- Depending on one key manager
- Underestimating staffing requirements
- Assuming systems will develop automatically
- Ignoring institutional conflict

Common Management Mistakes

- Appointing managers without relevant experience
- Weak delegation
- Poor communication
- Failure to escalate issues
- No succession planning
- Weak change management
- Ignoring staff resistance
- Focusing only on technical delivery

Common System Mistakes

- No integrated budget
- Poor procurement planning
- Weak segregation of duties
- No commitment control
- Inconsistent reporting
- Poor asset management
- No audit trail
- Manual systems without controls

Feasibility Checklist

Confirm that:

- Structure is appropriate
- Governance is clear
- Legal requirements are known
- Institutional roles are coordinated
- Management is competent
- Staffing is adequate
- Responsibilities are defined
- Implementation arrangements are practical
- Financial systems are reliable
- Procurement systems are functional
- Reporting supports decisions
- Sustainability is credible

Knowledge Check

Test your understanding:

1. What is organizational feasibility?
 2. What is institutional feasibility?
 3. What is management feasibility?
 4. What are the main organizational structures?
 5. What is project governance?
 6. What is the role of the project sponsor?
1. What is a Special-Purpose Vehicle?
 2. What is a capacity gap?
 3. What does RACI mean?
 4. Why is segregation of duties important?
 5. What is a Project Implementation Unit?
 6. What determines institutional sustainability?

Knowledge Check Answers

1. Assessment of structure, authority, staffing and internal capacity
 2. Assessment of legal, regulatory and external organizational fit
 3. Assessment of managerial competence and systems
 4. Functional, matrix, projectized and hybrid
 5. Framework for direction, authorization, oversight and accountability
 6. Owns the business case and provides strategic support
1. Separate legal entity created for a specific project
 2. Difference between required and available capability
 3. Responsible, Accountable, Consulted and Informed
 4. It reduces error, fraud and unauthorized decisions
 5. Dedicated unit responsible for project implementation
 6. Legal mandate, governance, management, finance, staff, systems and ownership

Individual Assignment

Select one proposed project and prepare:

- Organizational-feasibility analysis
- Recommended organizational structure
- Organizational chart
- Governance charter
- Legal and regulatory assessment
- Institutional stakeholder map
- Management-capacity assessment
- Human-resource plan
- Job descriptions for key positions
- RACI matrix
- Implementation arrangements
- Financial-management framework
- Procurement plan
- Monitoring and reporting system
- Institutional-sustainability plan
- Risk register
- Final feasibility recommendation

Chapter Summary

- Organizational feasibility assesses structure, authority, staffing and systems.
- Institutional feasibility examines the project's legal and external organizational environment.
- Management feasibility evaluates leadership and implementation capability.
- Organizational structure should reflect project size, complexity and risk.
- Governance defines oversight, decision rights and accountability.
- Legal and institutional analysis identifies licences, mandates and stakeholder relationships.
- Management capacity must cover technical, financial, procurement and change functions.
- Human-resource planning aligns staffing with project activities.
- Roles should be clearly defined through tools such as RACI.
- Implementation arrangements should support coordination and timely delivery.
- Financial systems should protect funds and produce reliable reports.
- Procurement systems should support timely, competitive and transparent acquisition.
- Monitoring and reporting systems should support management decisions.
- Institutional sustainability depends on ownership, finance, staff, systems and governance.

Key Message

“

A project is institutionally feasible only when the right organization, people, authority, systems and external relationships are in place to convert financial and technical plans into sustainable operations.

Structure

Governance

Legal Fit

Management

People

Systems

Implementation

Reporting

Sustainability

NEXT CHAPTER

Environmental and Social Feasibility Analysis

- Environmental and social screening
- Baseline conditions
- Impact identification
- Environmental and Social Impact Assessment
- Mitigation hierarchy
- Climate risk
- Land acquisition and resettlement
- Gender and inclusion
- Occupational and community safety
- Environmental and social management plans
- Grievance mechanisms
- Monitoring and compliance

Questions and Discussion

THANK YOU

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