

project planning and management series

PNAAR-483

lan: 32135

ACKNOWLEDGEMENT

The Project Planning and Management Series consists of a set of manuals and associated modules presenting practical approaches, tools and techniques for project planning and management. (See list on back cover). A product of the Government of Jamaica/USAID National Planning Project (1976-1980), the series was developed by the Project Development Resource Team (PDRT) of PAMCO for use in "action-training" workshops and reflects extensive experience in training and project development. All present PDRT members are contributing authors and have worked together in writing, revising and publishing the series. Special credits are due to Dr. Merlyn Kettering for design and development of the series; Dr. Bruce Brooks for writing final versions of many modules; Mrs. Marjorie Humphreys for assuming primary editing and production responsibility and for organizing draft papers into more useful materials; Mr. Lascelles Dixon, head of PDRT since 1979, for designing the cover and improving many of the illustrations; and Mrs. Christine Hinds and Miss Linette Johnson for typing the drafts and final manuscripts. Any comments on the series and its usefulness are welcome.

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Published by:

The Project Analysis & Monitoring Co. Ltd. (PAMCO)
Inter-Continental Hotel, 4th Floor
Kingston, Jamaica, W.I.

MODULE 43

PROJECT TERMINATION AND DIVESTING PROJECT RESOURCES¹
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A. PREREQUISITES: NONE

REFERENCES: Related Manual - Manual M - Project Management

B. DISCUSSION:

B.1 *Project Termination*

The module introduces a six-step model of planning for project termination with special consideration for the importance of the divestment of project resources.

By definition, projects have a beginning, and an END. However, terminating projects is not easily done. When projects are successful, there tends to be a natural expansion of the scope of the project or some extension of its purposes. To end a project literally means that the project manager is to put himself, and other project staff, out of a job, (unless the project staff are assigned to routine operations which may follow certain types of projects). For many reasons, projects have a tendency to stay alive long after their scheduled completion dates. The intense energy which was required to keep a project alive and on track is difficult to redirect toward a closing of the project. Even though there may be only a few people remaining or a project near its completion, a long termination period can cause an otherwise successful project which has reasonably achieved its cost and scheduled targets to end in cost and time excesses and overruns.

B.2 *Types of Project Termination*

- a) *Termination into routine operations:* This occurs when a project is designed to create some new productive capacity and the operational period begins after a period of testing or break-in for the production (such as a factory or a school).
- b) *Final termination:* This occurs when a project is complete in itself and the investment is turned over to be subsumed under routine operations of an organization, such as a road

which is then maintained by Ministry of Works, or a power line which is serviced by Public Services.

- c. *Termination into a follow-up project:* This occurs when a project is a pilot project or a demonstration project which then becomes an expanded project or programme based upon the experiences and achievements of the project.

The differences in these types of termination deal primarily with the organizational transfers necessary. In the first types, it is necessary to establish a new organizational structure during the final phases of the project so that routine operations can be assumed for a smooth transfer. In the second type, there is usually the transfer of information and physical structures within an existing organization. In the third type, there is the need to plan to create a new project or programme with the requisite capabilities of carrying out the new effort, in a project context.

- d. In addition to the normal terminations mentioned above, there may be *Late termination* which occurs when there have been delays in reaching the project objectives within the prescribed resource constraints. This usually involves some significant modifications in the project throughout and will therefore affect the evaluation of the project.
- e. *Early termination* which is possible from a number of causes, such as changes in policies or plans on the part of the higher levels of government; unforeseen changes in the external environment, such as financial crises; the emergence of new and more attractive projects with better prospects for successfully achieving the higher level objectives of the sponsoring organization; or unconquerable difficulties, such as new estimates in resource demands or market demands or technological problems.

Generally, the project manager must be aware of any conditions which will lead to the termination of the project, whether it is normal termination or early termination, good or bad. The project manager does not, however, have the responsibility of termination, but is subject to the decisions of the project executives and the sponsoring organizations. They must have from the manager all information necessary to facilitate that decision. In fact, this should be the natural consequence of the project control function of a well implemented project plan.*

*See Step Five of Implementation Planning Manual

B.3 *Responsibility of Project Manager in Project Termination*

The project manager is generally responsible for ensuring that the project is properly terminated within the terms of reference of the project, i.e., whether it is to move into routine operations, be finally terminated, or any other termination alternative. For the project manager, this means that it is necessary to:

1. ensure that all required steps for any turnover of the project outputs have been taken;
2. ensure that all project activities are closed out in an efficient and satisfactory manner;
3. ensure that the acceptance plans and schedules comply with all project agreements;
4. assist in determining that all contractors responsibilities or work authorizations under the project are fully documented for closing of legal and work responsibilities;
5. obtain a close-out plan from each component of the project;
6. monitor all close out activities, including disposition of surplus materials;
7. notify all necessary functional departments and supporting organizations of completion activities and responsibilities;
8. monitor final financing transactions in relation to the project;
9. facilitate project evaluation and
10. submit final report.

B.4 *Steps in Project Termination*

In general, six major steps can be involved in normal termination of projects:

1. prepare close-out plan and schedule;
2. specify future steps to be taken by others as a follow-up to the project;
3. reassignment of project staff;
4. divest project resources;
5. summarize the experiences gained in the project; and
6. prepare the final project report.

C. *PURPOSE:*

The purpose of planning for termination is to identify the closure of project activities and to plan for the processes of transferring resources with marginal or left-over utility from one project to another organization or unit which might benefit from the utility.

D. *USE:*

Because termination planning is at the end of the project, it is often viewed as an isolated, disconnected element in project management, something to be considered when all other activities have been completed.

This same view is often applied to the evaluation process. To be worthwhile, however, both processes should commence before the project implementation, in fact, the ease and effectiveness with which both these processes are implemented are probably a function of how early they are initiated. There is an important difference between evaluation and divestment. Some evaluations can be performed independently of other development activities, in the sense that evaluation need measure only the impact of the project's effects on some target.

Termination planning on the other hand, can only be carried out in conjunction with efforts occurring in other areas of the economy. The inherent characteristic implies that two conditions exist; 1) information about alternative activities is available and 2) the information can be acted upon. The knowledge about alternative activities is insufficient if the plan for transferring resources to their activities cannot be implemented. For example, the project manager of a rice project may become aware of an activity which could make use of his project's earth moving equipment. If those responsible for the other activity, say the construction of an infirmary, do not adjust plans for use of these resources, the benefit derived from the multiple use of resources will not be realized.

An important factor in planning, then, is the existence of sectoral or regional planning which undertakes and sequences projects in view of multiple use of durable and human resources. In such cases, the first activity in divestment planning occurs when the project idea is being evolved and initial decisions about technology are being made. Both available technologies and ultimate alternative uses of resources should be factors in the choice of technology. This is so because a technology implies the use of specific kinds of resources. Technologies which do not allow for the multiple use of resources could be avoided or limited by planners.

Unfortunately, collaboration with sectoral or regional planning agencies is not always possible for the project manager prior to the project's inception. Choices concerning the kinds and types of resources to be used may have already been made without explicit consideration of other alternative uses. The project manager must be active in initiating a divestment planning process. The next part of this paper describes the step-by-step activities which make up the divestment planning process.

E. *SOME SPECIAL CONSIDERATIONS IN DIVESTING PROJECT RESOURCES:*

Although the kinds of information which must be considered are similar in divesting physical and human resources, there are some basic differences. Human resource divestment planning requires knowledge of manpower development. People, unlike machines, don't depreciate. As they gain skills and experience they *appreciate* in value. Failure to exploit the value is a cost. The key to the successful divestment of human resources is not knowledge of the expected life of the resource but of the particular skills and competencies the resource possesses when it is no longer required by the project. An example may help clarify this concept. An individual is employed by a project to gather information from village residents concerning their need for medical services. Once the project is terminated, similar interviewing and information-gathering skills could be valuable in a non-formal adult education project.

Human resources also have some inherent constraints to their transfer. If the resource used in the project is local to the project area, he might have some inhibition to leaving. There are costs to relocating. The pattern of ethnic groups may be different in the new locale and the individual may feel less secure. Other elements of information for physical resource divestment are true for human resources. There must be knowledge about alternative activities that could benefit from the skills which the human resources possess. A significant difference is that physical resources do not have to participate in planning which affects their future use. Human beings, however, have feelings, anxieties, hopes, and fears. The degree to which individuals participate in planning which affects their future is often a major factor in their effectiveness in considering an alternative setting or capacity.

There are a few additional considerations a project manager must make in attempting to successfully divest resources. Sometimes effective divestment may be thwarted for the lack of funds. In the case of physical resources, equipment may not be utilizable beyond the life of the project because there has been no provision for spare parts of maintenance. Human resources may require additional training before being completely effective in a new capacity. For example, an individual employed as an accountant in one project could be sent to

a programme specializing in cost-benefit analyses before being transferred to a project requiring these skills. Between the divesting agency and the acquiring agency therefore plans must be made for the additional skills required to assure a successful resource transfer.

Another consideration is the evaluation of alternative uses. The resources do not have to be transferred only from one project to another. The transfer of the resource can be made to a permanent as well as a temporary organization. Alternative uses do not have to be ones that are planned or that currently exist. The project team might be able to suggest new activities for which these resources could be used. A tendency is to avoid considering project resources as permanent possessions. Down-time for a resource has too high a cost for a nation struggling to use every available resource for development.

Finally, the most important consideration is assessing the spirit of collaboration which exists among project managers and sectoral/regional planners. The absence of co-operation at this level can easily condemn efforts of divestment planning to failure. Divestment planning, much like project management in general, requires maximum exchange of information for the mutual benefit of the parties involved. Information is not readily shared among parties that do not openly value each other's self-interest.

F. ASSUMPTIONS:

Projects are temporary organizations -- that is, they are established to perform specified tasks in a limited period of time. Resources are expended during the life of the project in order to accomplish the project goal. Medicine is dispensed to people, bricks become buildings, asphalt is transformed into a highway surface. Not all resources, however, are completely expended by the project termination. These resources can be grouped into two categories: durable physical resources and human resources. They are similar in that their utility is not diminished by the project's termination. Unfortunately, in many developing countries, the utility of both these categories of resources is treated as zero. Tractors which were used to build the road are discarded with several years of life remaining; buildings constructed for specific project purposes are left abandoned; and individuals who have special skills and competencies return to prior, often unrelated, work situations. Given the scarcity of resources, this situation represents high costs to development efforts.

The effective termination of a project and divestment of project resources does not directly reflect the success of the project. The priority attached to it as a process has been consequently, rather low. This module suggests that, in the broad context of national development



divestment planning should be given important consideration. The project manager can be instrumental as a linking pin between sectoral regional planners and the resources which his project utilizes. By making available information about available project activities, the divestment of project resources becomes a critical activity in the process of project management.

G. OUTPUT:

The output referenced in this module are detailed in the following Project Termination Steps. These outputs include:

- plans for closing of the project;
- plans for divestment of project resources;
- plans and recommendations for any relevant future activities;
- final project report; and
- summary of managerial experience on the project.

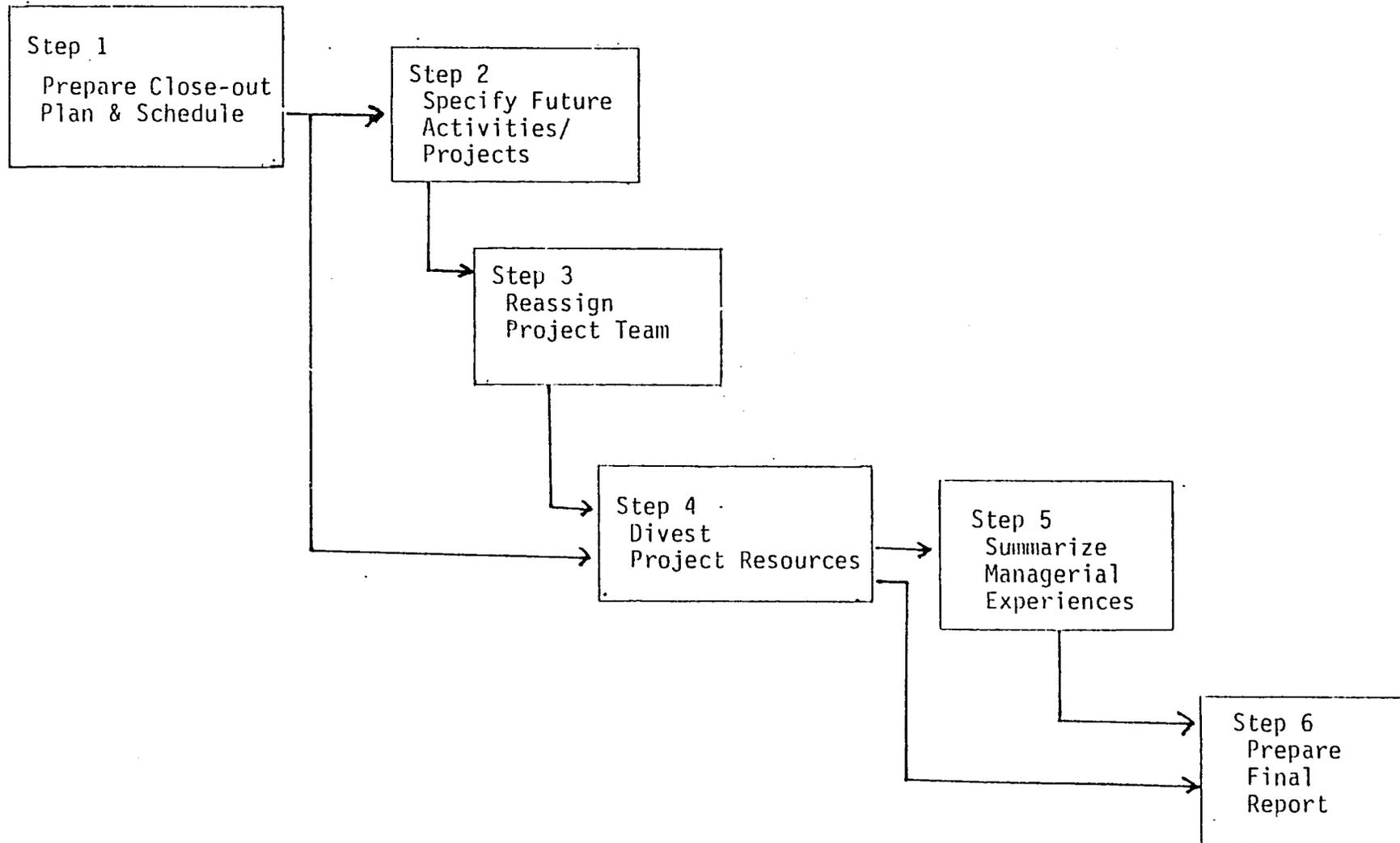


FIGURE ONE: STEPS IN PROJECT TERMINATION

DO NOT DUPLICATE WITHOUT PERMISSION

Q

H. DETAILS OF STEPS IN PROJECT TERMINATION

Step 1. *Prepare close-out plan and schedule*

The preparation of the close-out plan and schedule should be completed a reasonable time before the end of the project, say six months, depending upon the nature and scope of the project. To assist in managing, directing and controlling, the project close-out, the project manager should prepare a checklist specific to that project. As the final close-out phase approaches, it is necessary to establish a specific plan and schedule that covers these major items:

Project Products: Determine the final steps in assuring the project will deliver its specified outputs and products or services by the end of the project within all contracted requirements.

Contracts: Perform or monitor activities necessary to assure that all contracts let on the project have been properly completed or fulfilled and that the accounts are properly closed.

Work Authorizations: Determine and monitor the necessary close-out work orders for all supporting departments and units of the project and assure their satisfactory completion.

Financial Plans: Collect and close off all project accounts and financial drawdowns, with attention to the fact that actual reimbursements may take some time following expenditure or disbursement of project fund.

Personnel: Close off all contractual and manpower agreements of persons who have been assigned to the temporary project team.

Facilities: Close all project facilities and the project office for turnover to the appropriate authorities.

Records: Deliver the project files and other records to the appropriate authorities.

Step 2. *Specify future steps to be taken*

An important part of a development project is the specification of future steps to be taken based upon the project experience. Development projects are often intended to develop or test new capacities and capabilities for the

delivery of new goods and services. They assume that there will be some post-project activities as the projects are not ends in themselves, but means to a higher level of development in a particular sector or sphere. The project manager and staff are responsible for devoting attention to steps that should be taken after the project is terminated. For example:

- a specific proposal for a new project with new objectives that would be the logical follow-up to the present project could be initiated and submitted to appropriate authorities:
- selective activities may be required on the part of various units of existing organizations (sponsoring or environmental) to ensure that the project outputs have their intended impacts, such as maintenance of the programmes or facilities established.

Whatever the future steps to be taken in project termination, there should be a distinct plan and designations of responsibilities which specify what the nature of the work is, who is to do it, the time frames of the work and any additional resources which may be needed to perform the activities. This may require the formation of a committee to formulate the post-project plan and initiate any requisite operations.

Step 3. *Reassign project team members:*

Since a project is a temporary organization, there may be full-time people on the project who will be seeking positions following the project. The arrangements regarding part-time and contract personnel may be solved as mentioned above, but in general, it can be considered that the project manager has a responsibility to project staff who have assisted with the project. This responsibility is not to ensure that they have follow-up employment, but to provide them with the means of finding subsequent assignments. This may be only a moral responsibility but, as far as possible, it is to the advantage of the project and the sponsoring organizations to help the personnel. The wish to continue a successful project team, or even reconstitute the team under another title, may be dangerous as it perpetuates the image of ongoing projects. The termination of projects should be clearly visible. It should be clear to the staff from the beginning that the project is to end. But it should also

be clear that, if performance of staff is satisfactory, the project management and the parent or supporting organizations have the interest of the personnel in mind and will try to find post-project assignments for them. (Re-assignments, where possible and desirable, should be considered and pursued as much as 6 - 12 months before the close of a project, depending upon the nature and length of the project).

The termination of project staff is a very delicate issue and must be given careful attention by project management. Some projects become programmes simply because it seems politically or administratively unwise to discontinue the staff. It is the responsibility of the manager to terminate the staff, with the support of the project executive.

Step 4. *Divest project resources:*

Divestment planning, like any planning process is based on reliable information. Assuming that the choice of resources to be used in the project have been made, there are four kinds of information which the project manager must possess to make good decisions about resource divestment. These areas of information are:

1. the expected duration of the project and the use of the resources in the project;
2. the expected life of the resource;
3. alternative uses of the resource and available activities; and
4. inherent constraints on the transfer of the resource.

Heavy equipment is a good example in considering these four elements of information. A rice project may require earth-moving equipment in the construction of irrigation ditches. The project life may be five years but the greatest use of the equipment will come in the first three years. So the life of the project is three years in terms of resource utilization. Second, we know or could find out that the average life of earth-moving equipment in the project country is five years. The resource has a two-year period which can be utilized in an alternative activity. Third, one must consider alternative uses and available activities. Earth-moving equipment can be used to build roads, to construct buildings, to drain swamps, and perhaps to prepare land for agricultural activity. There is

a great likelihood that some, if not all, of these activities will occur within the two-year period of resource availability.

The project manager would have to find out details about these alternative activities so that joint or collaborative planning for divestment and acquisition could occur. Fourth, are there any built-in constraints to resource transfer? One constraint in the case of earth-moving equipment might be transportation. If the equipment is large and sometimes moveable only within a limited area. Another possible constraint might be maintenance of the equipment. The constraints have to be identified for two reasons. If constraints exist, the alternative presenting the least constraints, will be chosen. If only one alternative activity is available, plans must be made to overcome or remove the constraint.

Step 5. *Summarize managerial experience:*

Whether or not a project has successfully reached its conclusion, a great deal of valuable experience must have been acquired by the project team. This should be communicated to others who will be involved in projects of a similar nature or in carrying out new activities as members in the parent organization. Managerial experience is not often passed on in a relevant and meaningful way so that project managers can learn from the experience of others. To facilitate the growth of capabilities for implementing development projects, as well as to carry out the project itself, project managers should summarize their experience, including:

- aspects of the formulation procedures that proved adequate, those that were inadequate and need review or revision;
- organizational aspects, such as establishing the project team, administrative procedures, legal foundations, contract management, and so on which have proven successful or problematic on the project;
- successes and problems in scheduling, control and planning for actual implementation which emphasize the problems learned for improving the managerial performances on projects;
- any technical difficulties such as those with project resources (internal or external), or as such as the reliability of certain agreements which were made and the quality of the materials delivered;

-- any lessons learned about the outputs of the project, the manner in which the products were achieved or their quality.

This list could be expanded dependent upon the nature of the project. It is important, however, that the summary be comprehensive, but not so long as to discourage its assimilation for briefings of future project managers. It can be a separate report, or an appendix on the final project report, which is a normal project requirement.

Step 6. *Prepare final project report:*

The terms of reference for final reports should have been clearly specified in the job description of the project manager. Project reports will vary significantly. For example, some project evaluations may be conducted before the completion of the project report and may be the responsibility of the project manager or support staff for inclusion in the report. In other instances, they may be conducted quite independently of the work of the project manager and may not be necessary in the final report.

When a project is finally finished; it is common to look back and say, "well, it didn't actually go so badly, all things considered", and to feel quite pleased while forgetting some of the bad things which happened. A final report should be made so that the sponsoring organizations learn from experience and do not repeat the same mistakes a number of times to the detriment of the organization. Mistakes are made on every project -- and every project has some successes. The final report should:

Identify the successes of the project;

Identify the mistakes on the project;

Determine the impacts of mistakes;

Determine how mistakes can be avoided and successes reinforced;

Make recommendations based on project experiences.

Since the purpose of a final report is not merely to account for the past, but to influence the future, it should also include what was learned about the causal assumptions of the project, i.e., between the project activities and the planned outputs and targets, and the overall impact of the project

in relation to the goals, as outlined in the Logical Framework for example. The final report should emphasize:

- which assumptions were proved valid;
- which were proved invalid;
- which were not proved;
- which were omitted in the initial planning.

The analysis of the causal relations and assumptions of the project is a very important exercise and should include all project staff and the project executives at some point in the preparation and review of the final report. It is important to ensure that the report is objective, and does not just reflect the personal and vested interests of the project staff. However, project reports are often complemented by project evaluations which provide a complement to the perspective to the final report. Final reports are not the same as post-project evaluations, though there is some overlapping of subject areas and purposes.

¹The materials used in the module have been taken primarily from three sources:

- a) J. Bainbridge and S. Sapirie, HEALTH PROJECT MANAGEMENT: A MANUAL FOR FORMULATING AND IMPLEMENTING HEALTH PROJECTS, Geneva: WHO, 1974. Chapter 16.
- b) Russell D. Archibald, MANAGING HIGH-TECHNOLOGY PROGRAMMES AND PROJECTS, New York: John Wiley & Sons, Inc., 1976.
- c) "Divesting Project Resources" an unpublished paper by James Kristiansen prepared for the USAID National Planning Project, Ministry of Finance, Kingston, Jamaica, 1977.

Project Planning and Management Series.

MANUAL - I Planning for Project Implementation
MANUAL - P Project Planning
MANUAL - M Project Management
MANUAL - PF Pioneer Farm Implementation Planning

MODULES

1. Defining Project Objectives (Objective Trees)
2. The Logical Framework
3. Work Breakdown Structure
4. Activity Description Sheets
5. Project Organization
6. Linear Responsibility Charts
7. Project Scheduling - Bar Charts
8. Bar Charting for Project Control/Scheduling
9. Project Scheduling - Network Analysis
10. Milestones Description Charts
11. Resource Planning & Budgeting
12. The Role of PAMCO
13. Project Technology Analysis
14. Demand Analysis
15. Market Strategy Analysis
16. Project Area Analysis
17. Project Costs & Benefits
19. Project Profile
19. Financial Analysis
20. Cash Flow Analysis
21. Discounting
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23. Cost-Benefit Analysis
24. Benefit-Cost Ratio Analysis
25. Internal Rate of Return
26. Social Analysis of a Project
27. Economic Analysis of Projects (including Border Pricing)
28. Financial Statements & Ratios
29. Project Selection & Ratios Analysis
30. Brainstorming
31. Decision-making System for Projects
32. Project Institutional Environmental Analysis
33. Ecological Analysis for Projects
34. Introduction to Contracts, Jamaican Contract Documents & Tendering Procedures
35. Selection & Use of Consultants
36. Project Documents for Planning & Implementation
37. Report Writing for Projects
38. Project Files
39. Formats for Pre-Feasibility & Feasibility Studies
40. Motivation of Employees and Personnel Evaluation
41. Design of a Project Management Control System
42. Evaluating & Forecasting Project Progress & Performance
43. Project Termination
44. Introduction to Lending Agencies
45. Organizing and Conducting Conference Meetings
46. Withdrawal of and Accounting for Loan Funds in the Financing of Projects