

The three discounted measures of project



The three main discounted techniques used for the project analysis are, the Net Present Value, the Internal Rate of Return and the Benefit-Cost Ratio.

Net Present Value:

This is the easiest method of discounted measure available for project analysis. The method calculates the NPV as the value after deducting the Present Value of the Project costs (PVC) from the surplus gained from the project benefit stream (PVB). So when the Present value of costs for a project are 40, 204. 0 and the Present Value of Benefits are showing 40516. 0, the Net Present Value of the project can be, 312. NPV is a measure of an absolute value

Internal rate of return (IRR): This method can be said as the other side of the NPV method, as in Internal rate of return the discount rate is calculated to make the NPV value Zero. In a capital intensive project, IRR calculates the break-even rate of the investment for return. The Positive NPV in the IRR method indicates the favour to issue discounts and the negative NPV indicates the avoidance of discount as the capital cannot produce surplus to distribute.

Benefit-Cost Ratio:

These method asses the discounted value through a ratio obtained from by comparing the Present value of benefits with the present value of costs. When the discounted benefits are divided with the discounted costs, the ratio has to be over one in order to accept the project. Also it can be understood that Benefit-Cost Ratio is only a comparative analysis method and an efficiency measure of the project. If the ratio equals to 1 it can be

assessed as $NPV = 0$ and the project has a marginal value, where in a negative ratio indicates the rejection of the project.

1.) ' If development assistance is to help developing countries reduce poverty, there needs to be a real improvement in the way that assistance is delivered. This means reducing support for stand-alone projects, and increasing support for sector-wide reforms'

What are the implications of this statement for traditional project cycle management models and appraisal techniques?

The development assistance to the community projects varies from time to time basing on the donor objectives and the impact of the project. Usually different donors observe different patterns of fund releasing and withdrawal at different points of time. In anticipation of the returns on investment project financiers invest diligently in different projects.

Some of the tools available for stakeholder analysis are institutional appraisal and social analysis. Also the assistance agencies adopt different types of valuations like - NPV, Return on Ratio and Benefit-Cost Ratio of the projects to appraise them to avoid losses.

One of the methods available for project appraisal is Time preference method. Costs and benefits differ with time. So time can be used as a common denominator of value, to appraise the projects on cost-benefit means. The historical cost assessments can be understood as one of the method to appraisal costs of the project. In this method, a dollar in hand is much more valuable than the dollar that is coming tomorrow, So Discounting

Future Currency values is also required. The more distant the return value the more discount has to be inserted in appraising the project.

2.) A project is being planned by the regional government of a province with a loan from an international development bank to connect a remote rural and hilly region of a country to a major city through the construction of an all weather road.

a.) Identify who you consider to be the main stakeholders of such a project?

The major stakeholders of the project are government, International Development Bank, local government authorities, citizens and private parties. Government, IDB and the constructors can be said as the Secondary stakeholders, whereas community of the rural and hilly region of the country and the major city area are identified as the Primary stakeholders.

The secondary stakeholders are identified through institutional appraisal where as the Primary stakeholders are identified through social analysis.

b.) How might you systematically analyse the stakeholders for a project of this nature to assist in the design of the project?

The systematic analysis of the project can be in the following ways: Government being the project initiator and the International Development Bank as a project financier and the other like local government authorities, citizens and private parties as the project carriers are assumed as the stakeholders for listing.

Drawing interest of the stakeholders in the project: Government, IDB and the constructors act as intermediaries in delivering the benefit to the community. The community is the beneficiary of the project.

Assessment of Influence and Importance:

Government, IDB and the constructors are influencers in the decision making process and are also important for the project kick off and execution. Whereas, community of the rural and hilly region of the country and the major city area, cannot influence the major decisions but are important to extend their cooperation towards the construction.

Risk assumption towards project design and Participation: The risk of non cooperation can be assumed from the citizens from rural and hilly region while treating them as vulnerable group who may be affected by the road construction by way of losing their land, for facing pollution and other disturbances. The secondary stakeholders can assume the risks like project execution, financial and non compliance of local authorities and private party standards in construction etc.,

c.) What are the limitations of stakeholder analysis for a project of this nature? What is stakeholder analysis an effective tool to promote participation?

When a stakeholder analysis is poorly performed it may be susceptible to fail in gaining their cooperation and involvement in the project. When the stakeholders like community is not given proper priority the weightage cannot be assigned properly for their importance.

Then it becomes difficult to the project planning to assess the problems associated with community like land buying from the local people and <https://assignbuster.com/the-three-discounted-measures-of-project/>

construction maintenance during the project execution. But when such stakeholders are given due importance and involvement right from the beginning, they feel valued and important and will definitely extend their cooperation for the success of the project.

Also when the construction parties are involved in the stakeholder analysis, they get a capability to work close with the project objectives and policies.

3.) a.) Discuss the essential differences between blueprint and process approaches to project planning and implementation.

Among the models available for planning and implementation processes, the widely options are blueprint approach-which includes the steps like 1. problem identification and definition,

2). Project design,

3). Project implementation,

4) Project monitoring, and

5). Evaluation and follow-up. The blueprint approach is based on the lessons learned from the previous assignments or already existing models.

Where as the learning process approach begins with some assumptions on the initial specifications of the project and continuously builds the program by learning from the new information from the process itself. The design and implementation process can be like a circular loop and can include a progressively self modifying circle. In a blue print approach the central authority takes the control of the design and development process.

Whereas the learning process approach solicits the participation of all the stakeholders to design and modify the program according to the program needs.

b.) To what extent have governments and donors been successful in adopting a more process oriented approach to project planning?

A. Governments and donors have said to achieve a less considerable success in adopting a process oriented approach as most of the projects are guided by the control of central authority. The stakeholders like private and public cannot be involved in major decision makings. The constraints like change management, budgeting problems to incorporate the wide varieties of stakeholder specifications are the major problems that can be faced in this area. Some of the programs like e-governance and Back-end computerization, Road transportation projects are adopting process oriented planning

5.) ' There is a danger that the logical framework will be drawn up once and then left untouched.'

a.) Why does this matter if it occurs?

During the project execution the roles and responsibilities of the stakeholders some times may alter or may make much influence on the project. Eg: Certain type of skilled professionals may be ranked as low priority roles in the logical framework, but during time they may gain high priority to complete the project which may arise due to sudden attrition. But Influence and importance are different to each other.

Many times the unorganized primary stakeholders, like women, resource-poor farmers, slum dwellers, ethnic minorities etc., may be assumed for great priority in project planning. But these stakeholders may not have strong capacity to participate in the project, and may have limited power to influence key decisions. When a logical frame work is not consistently observed by the project executors, they may assign wrong priorities for the influencers and the important people differently leading to the bottle necks.

b.) What measures can be taken to ensure the continued use and relevance of a logical framework throughout the entire project cycle of a project?

The organisational objectives should be replicated even unto the project, to frame the goals and purposes of the logical framework. Involvement of the key stakeholders the log frame work will establish the roles and responsibilities. And such involvement will make them acknowledge the log frame in due course to implement the tasks as laid in log frame. Related article on methods of resource allocation

The one avoidance method of log frame negligence is by including the risks and assumptions identified in the stakeholder analysis in the log frame. Log frames are re-consideration during the life of the project, with stakeholder analysis will eliminate the overlook of the log frame by the new participants. Under monitoring and evaluation activity, establishment of annual monitoring missions and conducting mid-term reviews will enable the full fledged functioning of the project according to log frame.