



**DILEMMA: INTEGRATED OR SEPARATE
PROJECT MANAGEMENT UNITS FOR
DONOR- FUNDED PROJECTS IN SRI LANKA**

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Abstract

Both multilateral and bilateral development agencies provide financial and technical assistance to developing countries, for development projects. However, aid effectiveness, the impact on the economy and the effect on institutional capacity is widely debated. The role of Project Management Units (PMUs) as an implementation mechanism is a key topic in these discussions, on effective delivery of development aid.

The relationship between the PMU, a temporary organization, and the parent organization is critical to existing organizational capacity, efficient project implementation and the subsequent institutionalization of project outcomes. This issue has not been given sufficient attention in the literature on the subject of project based organizations, which does not attempt to evaluate the PMU's level of integration within the main organization, and the effect of this relationship on project implementation and institutional capacity and sustainability of project outcomes.

This research a) explores the literature and develops a model to analyze the relationship between project management units and their parent organizations in terms of the level of integration, and b) analyzes the perception of Project Directors of donor-funded projects to assess the impact of this integration on efficient project implementation, institutionalization of project outcomes, and the capacity of the parent organization. The methodology includes a literature review on project organizations, project structure and international donor-funded projects and a semi-structured questionnaire survey administered to selected Project Directors.

The research concludes that there are different degrees of integration of PMUs, of ongoing donor-funded projects, with the main organization. The differences in the integration arise from the way in which the PMU is structured and where it is located, recruitment of the Project Director and PMU staff internally or externally, and the extra benefits enjoyed by the PMU staff. It confirms that PMUs with low



integration contribute to efficient project implementation because it gives the Project Director required autonomy in decision-making to overcome the bureaucracy of the government structures. However, it dilutes the existing institution's capacity as the PMU work substitutes the parent organization's work and there is a low level of interaction between parent organization and PMU staff. Also, low integrated PMUs create problems in institutionalizing project outcomes, as there are conflicting views on how the project is implemented.

Research recommends further studies on this subject as disbursement figures contradict with Project Directors' perceptions of the implementation efficiency. Low integrated PMUs are reported to have low efficiency in terms of disbursements against the time elapsed for the loan period to that of a highly integrated PMU.