

# Financial Management

## The backbone of successful project delivery



According to the World Bank Financial Management Manual, project financial management combines the activities of planning, budgeting, accounting, financial reporting, internal control, auditing, procurement, disbursement and the physical performance of a project with the aim of managing project resources properly, to achieve project's development objectives.

Sound financial management together with accurate and timely financial data are critical prerequisites for successful project implementation as they aid in effective decision making to guarantee project completion per timelines, scope of deliverables and budget. In addition, these help project management team to take decisive corrective actions on factors that threaten to derail the project.

Most projects are financed by either the government or donors for economic and social development purposes. Sound financial management not only provides assurance of prudent use of donor funds, but it also builds assertion that the project will have sustainable outcomes and benefits to the intended community and the country's economy. Therefore, recipients of donor funding should endeavour to invest, account and accurately report all funds allocated

to projects as well as institute above board corporate governance structures; which will ensure successful project implementation and earn donor and partners' confidence.

It is important to note that continuous monitoring of organisation's capacity to complete the project is critical as it helps identify and address gaps before it is too late. This also ensures that the project stays on course and within budget. During monitoring, project implementers are able to keep tabs on planned project tasks and determine if the project is performing and achieving results as intended during the project design phase. As such, these monitoring reports play a major role during final evaluation and also in enhancing the effectiveness of development and donor funded projects.

Project managers entrusted with management of project funds need to maintain secure information technology systems, complete with internal control frameworks. These should be compliant with donor prescribed internal and external audit processes and standards. The World Bank, for instance, has a standard, which ensures that financial management techniques are applied for effective use of such funds. Organisations that have own financial management, policies and accountability standards tend to earn the donor confidence especially if they consistently deliver desired results. Consequently, this also gives them a competitive edge over others seeking funds from the same donor for new projects or to scale up existing ones.

Organisations are able to negotiate effectively with donors if they can demonstrate that they have sound project finance management systems in place. This should be showcased together with other capacities such as data tracking and analysis, impact assessment skills among others, available in the organisation during proposal development stage. It is critical that at this stage the organisation also points out possible project risks and mitigation measures. Organisations should also clearly state



whether they will require to outsource some services especially where such services are crucial to project delivery and there is no in-house capacity. This will inform the donor of the total project costs earlier on and help them plan to accommodate such instances.

Finally, financial reports which are outcomes of good financial management systems are vital during final evaluation and completion stages of the project. It is at this stage that donors compare these reports with similar reports from other projects to determine if the project was implemented as budgeted. If there are notable discrepancies, the donor can request the implementing team for further clarity before releasing further funds to complete the project. Such instances should be avoided at all times as they raise integrity and credibility issues about the project implementation team and this may jeopardise future donor relations and funds. Therefore it is important that the project team keeps updated financial records at all times that can be scrutinised anytime by the monitoring team and most importantly, the donor.

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