



Pacific Islands Workshop

Building Resilience to Natural Disasters and Climate Change



April 4-6, 2017 | Suva, Fiji



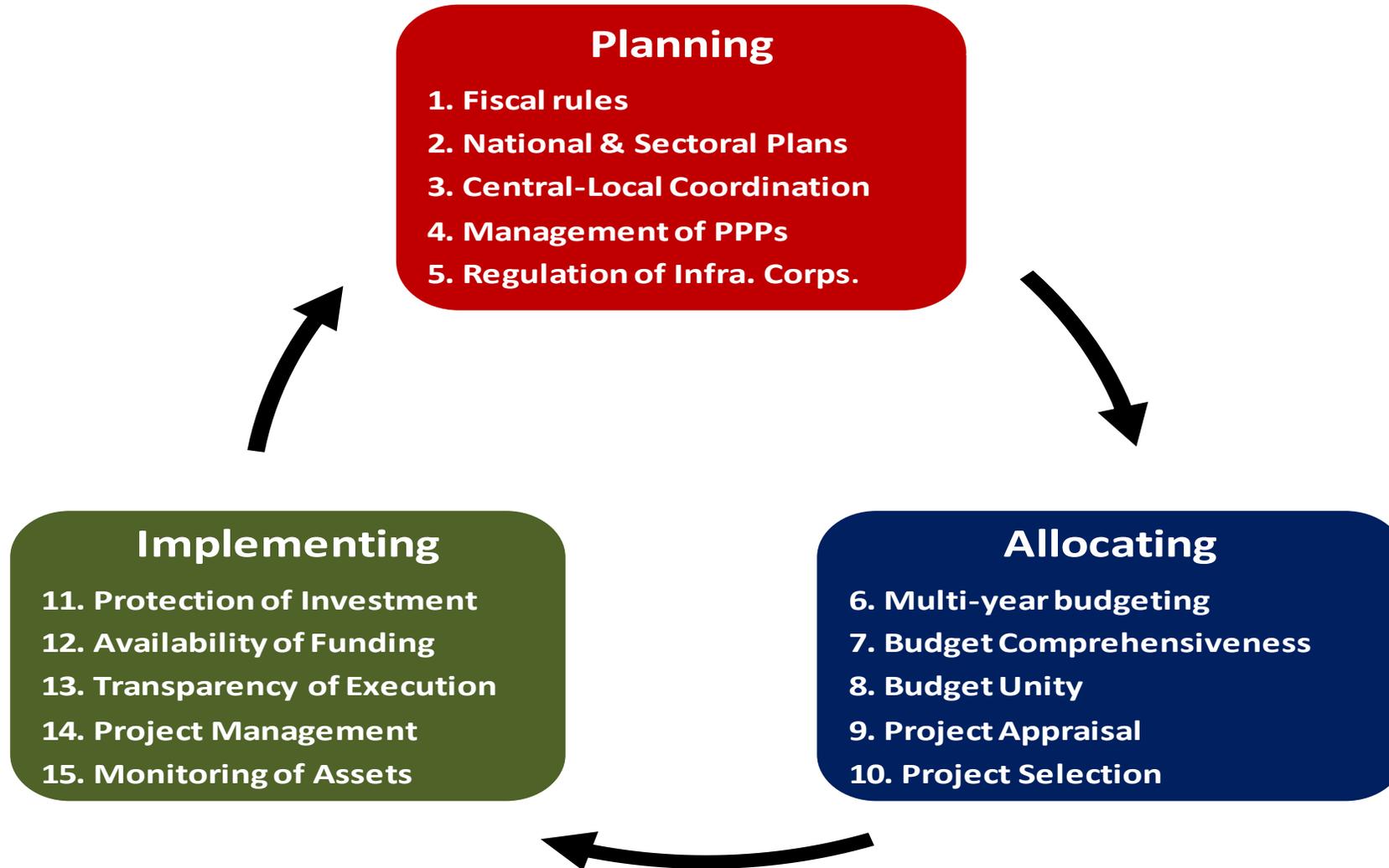


Workshop:
**Public Investment Management
Assessment (PIMA)**

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Public Investment Management Assessment (PIMA) Analytical Framework



PIMA

Strong PIM institutions are linked to higher efficiency and more stable investment

- **Stronger PIM institutions help to improve investment efficiency and productivity:**
 - The strength of all three phases of the PIM process is significantly correlated with investment efficiency, both individually and in combination;
 - Countries with strong PIM institutions get a bigger “bang” for their investment “buck”.
- **Stronger PIM institutions are also associated with other performance indicators:**
 - Sustainable levels of total investment;
 - Stable allocation of investment spending between sectors, reflecting the benefits of strong multiyear planning and budgeting arrangements;
 - Less underspending due to more credible capital budgets;
 - Lower levels of rent-seeking and corruption.

PIMA Methodology

- 3 phases of PIM cycle, each phase has 5 institutions, each institution has 3 three dimensions
- Score is made at dimension level:
 - 1 = not met
 - 2 = partly met
 - 3 = fully met
- Score of each institution is calculated as the mean of scores of its three dimensions

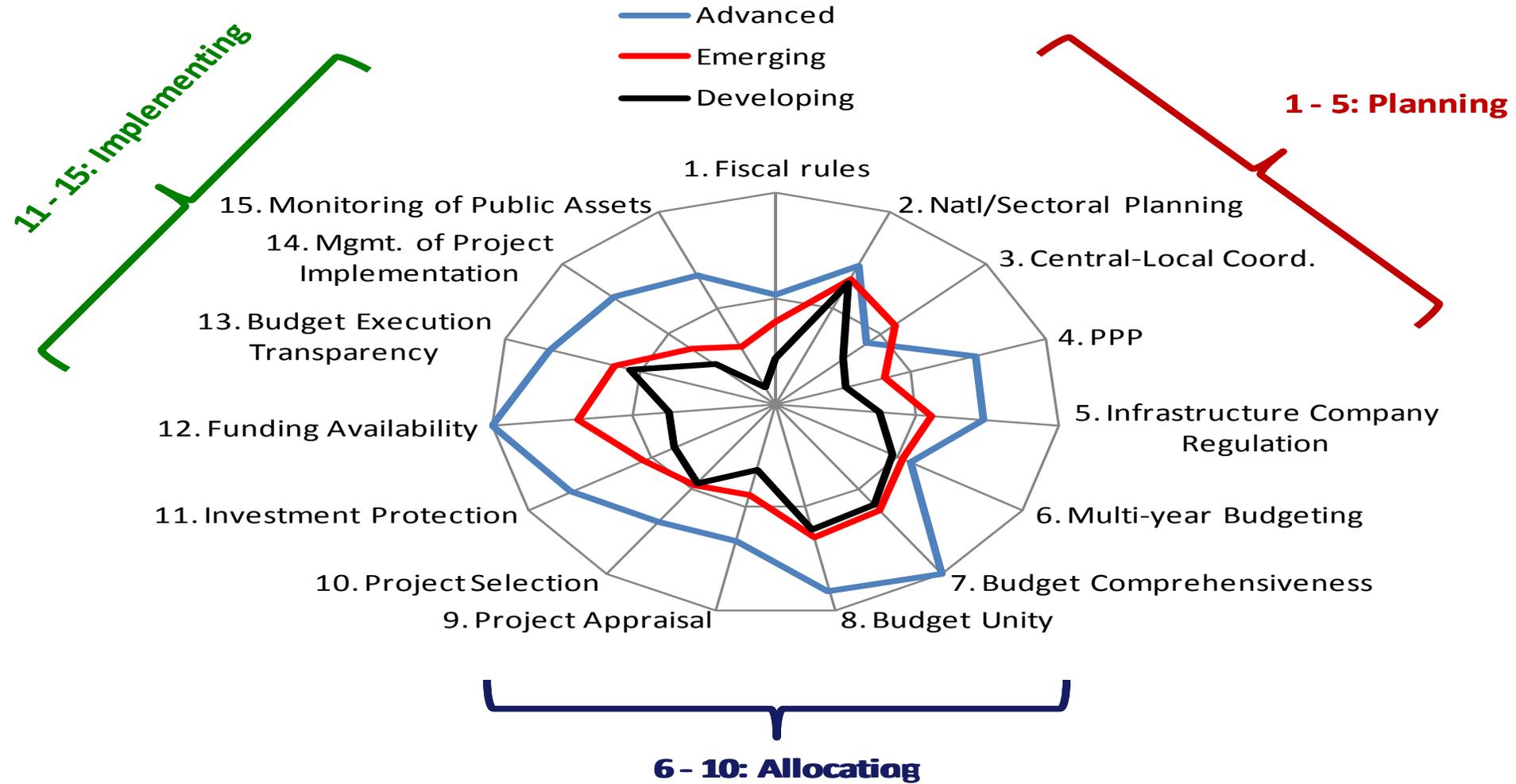
PIMA

Questionnaire (extracts)

6 Multi-Year Budgeting: Does the government prepare medium-term projections of capital spending on a full cost basis?		#DIV/0!	1= To no or a lesser extent	2=To some extent	3=To a greater extent
6.a.	Is capital spending by ministry forecasted over a multi-year horizon?		No projections of capital spending are published beyond the budget year	Projections of total capital spending are published over a 3-5 year horizon	Projections of capital spending disaggregated by ministry or program are published over a 3-5 year horizon.
6.b.	Are there multi-year ceilings on capital expenditure by ministry or program?		There are no multi-year ceilings on capital expenditure by ministry or program	There are indicative multi-year ceilings on capital expenditure by ministry or program	There are binding multi-year ceilings on capital expenditure by ministry or program
6.c.	Are projections of the full cost of major capital projects over their life cycle published?		Projections of the cost of major capital projects are not published or only for the budget year	Projections of the total cost of major capital projects are published	Projections of the total cost of major capital projects are published together with annual projections over a 3-5 year horizon
8 Budget Unity : Is there a unified budget process for capital and current spending?		#DIV/0!			
8.a.	Are capital and recurrent budgets prepared and presented together?		Capital and recurrent budgets are prepared by separate ministries and/or presented in separate budget documents	Capital and recurrent budgets are prepared by a single ministry and presented in a single document but not using a program classification	Capital and recurrent budgets are prepared by single ministry and presented in single document, using a program classification
8.b.	Does the budget include appropriations of the recurrent costs associated with capital investment projects?		The budget does not include appropriations of the recurrent costs associated with investment projects	The budget includes appropriations of the recurrent costs associated with investment projects for the budget year only	The budget includes appropriations (or estimates) of the recurrent costs associated with investment projects for the budget year and the medium term
8.c.	Does the budget classification and chart of accounts distinguish clearly between recurrent and capital expenditure, in line with international standards?		The budget classification and chart of accounts includes some recurrent expenditure in the definition of capital expenditure or some capital expenditure in recurrent expenditure	The budget classification and chart of accounts includes some capital expenditure in financing or some financing in capital expenditure	The budget classification and chart of accounts clearly distinguishes between recurrent and capital expenditure and financing in line with international standards

PIMA

PIMA Score by Institution



PIMA

Presentation of Results

Institutional strength: this assesses the design of the processes, laws, systems, and managerial tools implemented from a design point of view. The following color code is used:

	High	Medium	Low
Strength of the institution	Green	Yellow	Red

Effectiveness: assesses how well an institution is implemented in practice and whether it achieved the envisaged results. Effectiveness is assessed qualitatively, based on evidence (e.g., data, IMF staff assessment and reviews and assessment of other international organizations, audit reports). The following color code is used:

	High	Medium	Low
Effectiveness of the institution	Green	Yellow	Red

PIMA

Presentation of Results

Phase / Institution		Institutional Strength	Effectiveness	Rec.	
A. Planning	1	Fiscal rules	Strong: Debt rule since 2009, deficit rule in effect since 2014, with an investment clause and automatic adjustment mechanism.	Medium: In 2014, the deficit exceeded the ceiling by 0.4 percent of GDP within the margin, despite under execution of capital spending.	5, 6
	2	National and sectoral planning	Good: National development under preparation; multiplicity of sectoral strategies with some performance measures.	Low: Around 80 sectoral strategies are in place, without clear coordination and incomplete costing.	1, 4
	3	Central-local coordination	Medium: Debt limits constrain debt for municipalities; information for municipalities timely; no rule-based allocation of capital transfers.	Medium: In 2014, optimistic projections of own revenues of 6 million result in corresponding under execution of capital spending for municipalities.	

PIMA

Presentation of Results: Heatmap for Kosovo

Workshop:

Strengths and weaknesses of PIM institutions in Pacifica

2.30pm – 3.30 pm:

- **STEP 1:** Read a case study Pacifica (Word file titled “PIMA_WS_Case study_Pacifica_April_5_2017”).
- **STEP 2:** Open an excel file titled “Pacifica_PIMA_scoring” and pick a worksheet named PIMA Scores.
- **STEP 3:** Go back to the case study and pick one Topic assigned to your table (page 2). Read the questions to be answered by your table. For example Topic 1 is Institution 6: Multi-year budgeting (questions 6a, 6b and 6c in the excel worksheet).
- **STEP 4:** Go to the respective Topic in the case study (Word file) and read carefully the description of your Topic in Pacifica.
- **STEP 5:** Go to the excel file, worksheet „PIMA scores“ and read the scoring guidance for questions. Decide which score (1, 2 or 3) describes most accurately the practices of your topic in Pacifica.
- **STEP 6:** Enter the scores for your Institution in column G. The cells are color-coded reflecting the entered score. Please include a short justification for your score. The average score for the entire institution will be calculated automatically (don't delete the formula).
- **STEP 7:** Go back to the Word file and discuss in your group two other questions under your Topic. Write down the main points.

3.45pm – 5.15 pm:

STEP 8: Group discussion: One person from each table will present the results and floor is open to overall discussion

Institution 6: Multi-year Budgeting

Providing transparency and predictability regarding levels of investment by ministry, program, and project over the medium term.

- Improving the quality of budgeting and fiscal performance
- Signaling future changes → managing expectations and pressure to spend, and allowing time to adapt
- Capturing deferred effects → decisions today have consequences tomorrow
- Committing to future expenditure limits → binding limits addresses time-inconsistency of spending preferences

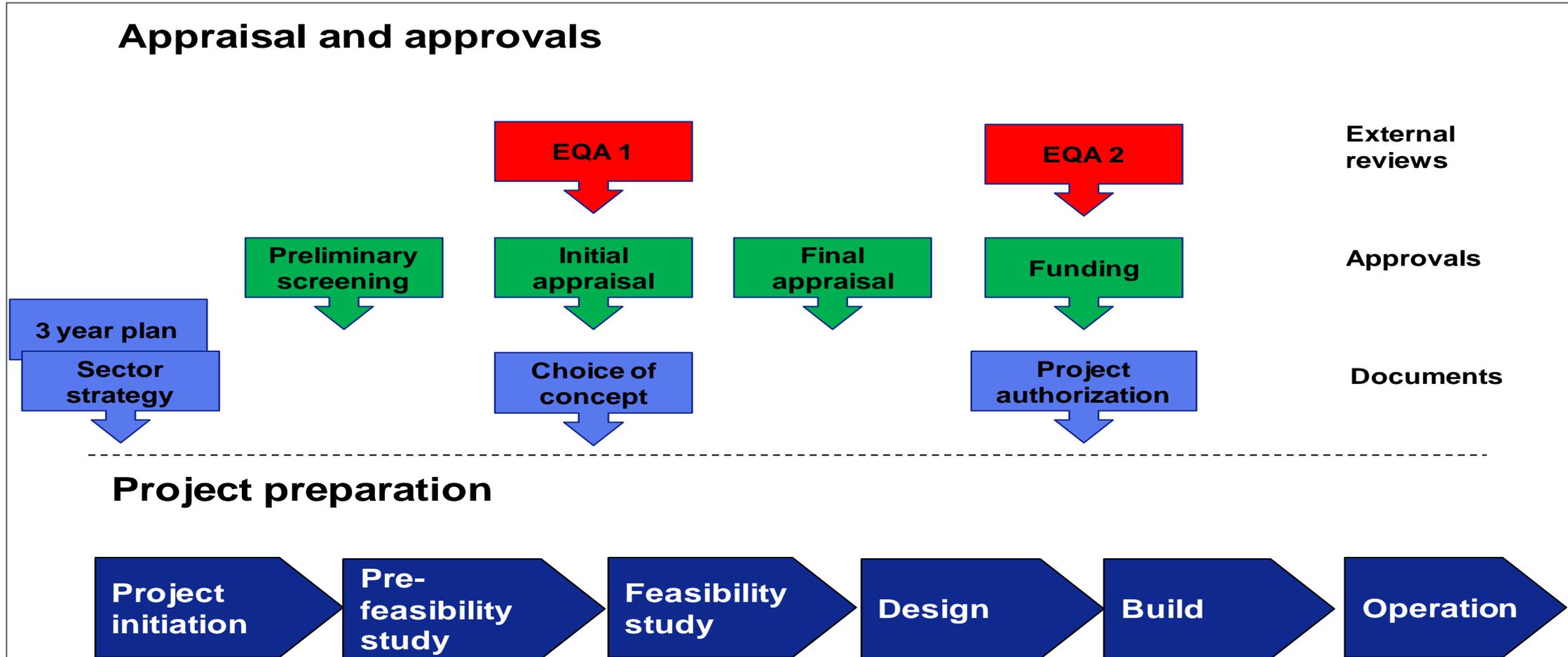
Institution 8: Budget Unity

Ensuring decisions about individual projects take account of the immediate capital and future operating and maintenance costs.

- One budget and one budget process (no dual budgeting).
- Budget is an instrument for aggregate fiscal control.
- Policies and projects can be prioritized against each other by one institution (MOF), project appraisals should be done elsewhere.

Institution 9: Project Appraisal (1)

Ensuring project proposals are subject to published appraisal using standard methodology and taking account of potential risks.



Institution 9: Project Appraisal (2)

Key Issues for Project Appraisal

Pre-feasibility study	Feasibility study
Definition of project objectives	Plan for delivery of objectives
Analysis of alternatives	Risk management strategy
Risk assessment	Procurement strategy
Procurement options	Quality assurance framework

Questions for Independent Project Reviews

Are project objectives clearly defined?

Is the project likely to meet its objectives?

Is the chosen concept the most effective?

Are investment cost estimates realistic?

Are other lifecycle costs estimated and realistic (operations, maintenance, disposal, etc)?

Is the risk management strategy robust?

Is the procurement strategy appropriate?

Is there a solid framework for monitoring and evaluation?

Is the implementation plan/timetable realistic?

Institution 10: Project Selection

Ensuring projects are systematically vetted, selected based on transparent criteria, and included in a pipeline of approved projects.

- A support and control process (so-called gate-keeping function) that starts at an early stage of project preparation would help to ascertain capital projects' feasibility.
- Using a prioritization matrix is a good mechanism to support decision-making.
- Key project information needed with a view to aiding the Cabinet and Parliament in its decision making process.
- Presenting the full implementation cost of a project and indicative recurrent costs for the project lifecycle is important in assessing the viability and economic benefit of a project.

Institution 14: Management of Project Implementation

Identifying an accountable project manager working in accordance with approved implementation plans, and provides standardized procedures and guidelines for project adjustments.

- Centralized guidelines on project management, including project adjustments, monitoring, etc.
- A knowledgeable person within government who can make prompt decisions on adjustments, their judgement would be based on a set of procedures and guidelines.
- Goes some way to ensuring that the project is completed on time and within budget.
- Such a person could sit in the Ministry/PMU.

Institution 15: Monitoring of Public Assets

Ensuring assets are properly recorded and reported and that their depreciation is recognized in financial statements.

- Regularly reviewing and surveying the government's capital stock to ascertain its condition allows for a more considered and strategic approach towards renewal or disposal of the asset.
- Capturing the value of these assets allows a more accurate reflection of the fiscal position and the value of the service they are providing to the community.
- Including depreciation of assets in the governments operating statements (accrual only) allows officials and stakeholders to better understand the cost of asset management.

Summary of PIM institutions: Correlations among Institutions

