Public Investment Management

Improving Public Investment Efficiency

Over the past two decades, the country has witnessed a rapid increase in the level of domestic and externally funded projects. These capital intensive projects are aimed at supporting the country's economic activities and improving service delivery. Nonetheless, Questions have abound regarding the quality, effectiveness, and sustainability of these investments.

We made the short trip to the National Treasury to speak with Patrick Mugo, Director, The National Treasury, Public Investment management unit, to find out the reforms being carried out to make public investment more predictable, credible, and productive.

Give us a brief background about the Public Investment Management Unit? What was the objective of its establishment?

The National Treasury PIM Unit was established in the year 2018 after a diagnostic study conducted by the IMF, the World Bank, the National Treasury and Planning team, in assessing how capital projects have been managed. The findings revealed that there existed no standardized framework to screen the projects prior to their financing. As, such there was need to establish a standardized framework to independently review development proposals to enhance efficiency, effectiveness and economy on the implementation of the development projects by the Government of Kenya.

It was also realized that government had blotted portfolio of projects with some having stalled, others suffered from drip funding. A task force was therefore formed in 2018 to look into the matter and consequently Public Investment Manage-
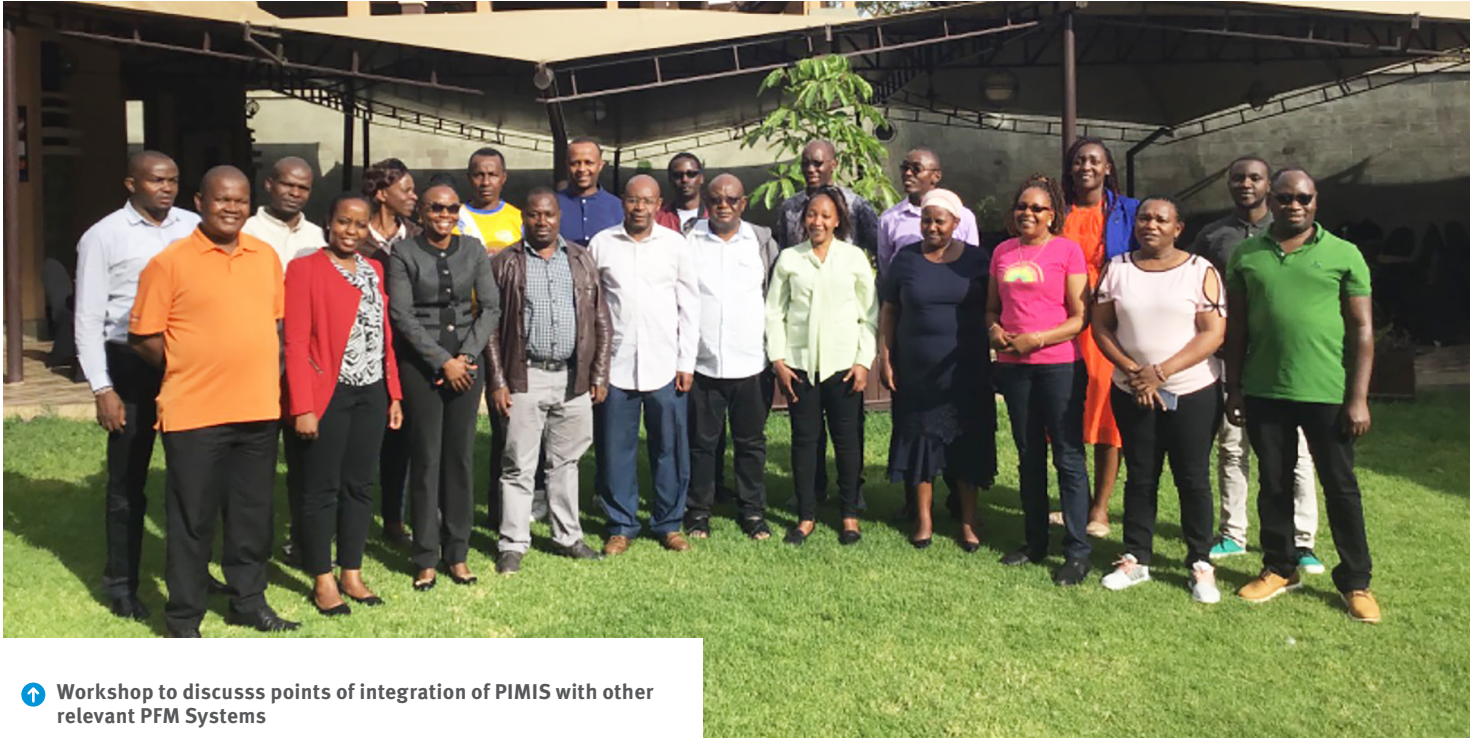
↑ **Workshop to discusss points of integration of PIMIS with other relevant PFM Systems**

ment (PIM) guidelines were developed and issued Vide Treasury Circular No. 16/2019 dated 24th January 2020.

The guidelines were not approved until January 24th, 2020, but of great significance to us as a country, the government in 2018 approved the establishment of PIM Unit in the National Treasury to spearhead public investment management reforms on the management of public investments.

What is the difference between social projects and investment projects?

Whilst social projects accrue more benefits to the society, investments projects may be social or private. Unlike private projects, social projects may not attract private investors unless the government provides incentive because more benefit is derived to the society and not private entities. The government is the major investor in social projects.

What reform Initiatives have been employed to facilitate efficient identification & implementation of priority projects?

Standardized tools have been developed to enhance the selection, identification and implementation of public investment projects across the Ministries, Departments and Agencies.

One of the tools is a project concept note. This template assists MDAs to repackage their proposals in form of a concept

note. Upon review of the concept note, in cases where gaps are identified, the National Treasury writes to the respective MDA either disapproving the project or allowing them to supplement the information that they had forwarded to facilitate decision making.

Once satisfied with the project concept note, we look at the pre-feasibility study, whereby based on the problem they want to address by doing the project, we do an option analysis where we try to identify which is the viable alternative at the pre-feasibility stage. Afterwards, as provided for in PIM guidelines the feasibility study report is equally reviewed.

Project M&E Manual was developed and completed. What difference has it made so far in enhancing efficient identification & implementation of public projects in Kenya?

The manual has been very insightful in the development of the Public Investment Management Information System (PIMIS). It is our hope that MDAs will apply the manual as the conduct the monitoring and evaluation tasks in accordance with Treasury Circular No 16/2019.

Since the formation of PIM Unit and PIM guidelines, are there projects which have been successfully implemented with High internal rate of return?

There are quite a number of projects that have been implemented , others pipelined ,some of them are yet to start. I can mention the University of Nairobi Science and Engineering

complex which is supposed to be funded by the agents AFD France which is envisaged to have great impact once successfully implemented.

PIM Unit is currently developing a Public Investment Management Information System. Please tell us more about this and what should Kenyans and PFM stakeholders expect from this system?

It is a matter of fact that the government is going digital and this will have great impact of how public projects are governed in Kenya. Therefore a lot should be expected from the PIMIS system. There will be a lot of positive change especially in how we come up with development projects, whereby at a glance, you can click the system and from the system you can tell these are the projects that are being implemented by the Government of Kenya. It will also be possible to know the projects that are entering the budget in a given financial year and how they will be implemented.

The System will also enhance the tracking of the implementation status of the projects. Through the system, Kenyans can understand which projects have been initiated, status of implementation, among others. The system will be integrated with E-GP, I-TAX, IFMIS, among others. This is aimed to enhance efficiency, effectiveness, and economy, among others.

There has been concerns on whether the Public Investment Management Unit has the required human resource capacity to handle the system once developed, how would you respond to this?

Currently, the Unit has sub-optimal numbers in terms of the human resource capacity. It is seriously understaffed and therefore lacks the right numbers even the right mix of technical officers, relative to the workload.

What is the ideal mix view in terms of the technical capacity?

The ideal mix would be to get additional Economists and Finance Officers. Going forward, we are planning by the time we implement the system, we go sector-wise on the analysis of project proposals. For example, we have a team of dedicated officers specializing in Health, Education, Roads, and so on. This will greatly assist in making refined analysis of projects proposals.

Are there plans to incorporate the County Governments in PIM Reforms?

For counties, it may take some time but we are planning to go there strategically. The plan is to first start by sensitizing the counties on the regulations. With extra budget and technical capacity, the next phase would be to operationalize PIM regulations and further sensitize them on PIM framework because, currently, not so many (counties) have an idea of PIM reforms. From there then we can try and assist them develop County PIM units and give them a few expertise to work with the team at the county governments.

E-Promis was the previous system the PIM Unit used to track implementation of development projects. Did e-Promis fail to deliver on envisaged goal in PIM Reforms?

There was a study, an assessment that was done on the scope of the E-promis, Vis-à-vis now what was targeted for the PIM Unit, and a number of gaps were identified. Firstly, the E-promis only catered for the donor funded projects. It din't cater for projects funded by the GoK and PPP as well.

Secondly E-promis was a just a data base and we required the work flows, where by the actual PIM business is done in the system, from submission of proposal, approval, disapproval then re-submission or recycling. The E-promis was short of that.This necessitated the need to come up with a system that enhances the workflows, to enhance the PIM business at the wider level and to accommodate other government projects including, the GoK funded project, the PPP & the projects coming from parastatals.

Due to networked nature of infrastructure governance, you find that the weakest link determines overall quality. Will the Public Investment Management Information System cover the full public investment cycle in a comprehensive manner

For sure the PIMIS system will cover complete projects cycle. The PIM processes have been fully automated to capture the entire life cycle of the project. That is, the project life cycle stages have been harmonized with PIM processes in the integrated PIMIS System that captures the particular element of the project life cycle. These six (6) stages of the project life cycle include:

    i. Project Identification and Planning mapped as PIM Process 1
    ii. Pre-feasibility & Pre-Appraisal mapped as PIM Process 2
    iii. Feasibility & Appraisal mapped as PIM Process 3
    iv. Final Selection for budgeting which is where we have prioritization mapped as PIM Process 4
    v. Implementation, Monitoring, Evaluation & Reporting mapped as PIM Process 5
    vi. Lastly we have project closure sustainability and ex-post evaluation as PIM Process 6.