Tuesday 4th April 2006

13.30-15.30

Break-out Session 3

Appraisal, Selection, and Monitoring of Public Investment Projects

Key Principles:

1. Only good projects should be selected
2. Good projects should be:

    a. Policy-relevant
    b. Objective driven
    c. Output focused
    d. Assessed for economic viability
    e. Adequately resourced (financial and human capital)
    f. Structured in a way that assures strong governance and good management
    g. Realistic in terms of their expectations and execution plans
    h. Affordable on the basis of both capital and recurrent costs

3. An objective option appraisal for the delivery of the objectives should take place for every project

4. Capital Costs should be accurately assessed and peer reviewed

5. Recurrent costs should be identified, considered for (short, medium and long term) affordability and budgeted

6. Explicit guarantees and contingent liabilities should be identified and reported

7. Project risks should be clearly accounted for, and budgeted

8. Projects should be actively monitored throughout their implementation and operation phases and reported

9. Projects should be procured through transparent and fair procurement processes

10. Lessons should be learnt through Post Project Evaluation and Audit

Risks in Capital Investment Management

1. Bad projects can make good projects unaffordable
2. Unless projects are:
    a. Policy-relevant
    b. Objective driven
    c. Output focused
    d. Assessed for economic viability
    e. Adequately resourced (financial and human capital)
    f. Structured in a way that assures strong governance and good management
    g. Realistic in terms of their expectations and execution plans
    h. Affordable on the basis of both capital and recurrent costs

    They run the risk of failure either before or after implementation

3. Without an objective option appraisal for every project better solutions can be missed or overlooked

4. Capital Costs may over-run sometimes significantly. This can often result in completion delays and disputes. The consequences of these events are usually politically embarrassing.

5. Without the accurate identification of recurrent costs, operating and maintenance issues may be compromised, leading to rapid degradation of the assets.

6. Unless explicit guarantees and contingent liabilities are identified and reported, there may be sudden unplanned and adverse impacts on the State Budget.

7. Project risks, unless correctly identified and managed may result in sudden, unplanned and detrimental impacts on the State Budget

8. Projects should be actively monitored throughout their implementation and operation phases otherwise there can be unexpected budgetary shocks.

9. Unless projects are procured through transparent and fair procurement processes, corruption can occur. This usually leads to sub-optimal and poor value solutions.

10. If lessons are not learnt through Post Project Evaluation and Audit, no long term implementing capacity can be built, leading to recurrent problems over many years.

Rate the Risk in Each Principle Area

Type of Risk	Risk Factor 1= low risk 2= medium risk, 3 = high risk
1. Bad projects can make good projects unaffordable	
2. Unless projects are: i. Policy-relevant j. Objective driven k. Output focused l. Assessed for economic viability m. Adequately resourced (financial and human capital) n. Structured in a way that assures strong governance and good management o. Realistic in terms of their expectations and execution plans p. Affordable on the basis of both capital and recurrent costs They run the risk of failure either <u>before</u> or <u>after</u> implementation	
3. Without an objective option appraisal for every project better solutions can be missed or overlooked	
4. Capital Costs may over-run sometimes significantly. This can often result in completion delays and disputes. The consequences of these events are usually politically embarrassing.	
5. Without the accurate identification of recurrent costs, operating and maintenance issues may be compromised, leading to rapid degradation of the assets.	

6. Unless explicit guarantees and contingent liabilities are identified and reported, there may be sudden unplanned and adverse impacts on the State Budget.	
7. Project risks, unless correctly identified and managed may result in sudden unplanned and detrimental impacts on the State Budget	
8. Projects should be actively monitored throughout their implementation and operation phases otherwise there can be unexpected budgetary shocks.	
9. Unless projects are procured through transparent and fair procurement processes, corruption can occur. This usually leads to sub-optimal and poor value solutions.	
10. If lessons are not learnt through Post Project Evaluation and Audit, no long term implementing capacity can be built, leading to recurrent problems over many years.	

1. List the six most significant (highest scoring) risks from the previous pages
2. Propose reforms in each risk area to improve processes/mitigate risks.

	Describe Risk	Proposed Reform
Key Risk 1		
Key Risk 2		
Key Risk 3		
Key Risk 4		
Key Risk 5		
Key Risk 6		