**Investment programming and budgeting**

- Programming and budgeting investment is part of an overall expenditure management process,

- **Steps programming and budgeting:**
  - Setting priorities among strategic areas
  - within strategic areas, balance requirements for investment expenditure against those for current expenditure,
  - identifying investment projects and programmes;
  - within investment programmes, making choices among projects already identified, and reviewing ongoing projects

- **Steps Investment projects:**
  - preparation, appraisal and screening

- These processes are interdependent
The sequencing of decision-making and an appropriate design of linkages between the project preparation process and the budgeting-programming process are essential, in order to ensure that

- policies drive programmes;
- programmes fit the financial constraints;
- programmes drive projects
Key Issues

- Broad strategic guidance for public investment desirable to guide budget organisation decision-makers
- First level screening of all project proposals to ensure meeting minimum criteria of consistency with government strategic goals
- Rigorous scrutiny of cost-benefit or cost effectiveness of projects or programs that meet the first test
- Skilled evaluators for ex ante project evaluation (Training in project evaluation techniques is an important)
- Where budget organisations undertake the appraisal, an independent peer review should be carried out by MoF or specific Agency
- Linking process of appraising and selecting public investment projects to the budget cycle (even though the project evaluation cycle may run along a different timetable)
- Projects should be scrutinized for implementation realism
- Capacity for timely monitoring implementation and addressing problems pro-actively
- Ex-post evaluation of completed projects
Structural Aspects

- Responsibility for programming, assessing and screening investments in line ministries
- MoF involved in process by means of
  - consultations in case of large/complex projects as from preparation phase or
  - always above thresholds
  - monitoring progress of projects
  - ex-post evaluation of finished projects
- Current and investment expenditures in integrated administration or in parallel administrations with linkages
Poor Results

- Inadequate, or lack of clarity of strategic plans and objectives
- Lack of linkage of projects to those strategic plans and objectives
- No linkage to budgeting (separate processes)
- Limited skilled capacity in line ministries and/or MoF
- Poor project selection (poor project assessment, selection driven by external factors avoiding budgetary control rules);
- Inadequate legislation to facilitate the project (laws and guidelines)
- Delays in design and variations in design (leading to overspending and late completion of projects)
Poor Results (cont.)

- Inadequate budgeting practice (projects driven by artificial budget constraints rather than by design and construction needs)
- Poor procurement practices and contractual arrangements
- Cost over-runs (prejudice the achievement of other projects)
- Failure to complete projects (caused by cost overruns or changes of political decision)
- Failure to operate and maintain assets effectively (benefits are less than projected)
- Failure to carry out post hoc reviews (no lessons learned from actual experience)
How to achieve efficiency in budgeting investments?

- Make national and sectoral strategies compatible with fiscal framework
- Develop clear and comprehensive regulations for development of investment proposals
- Define standards for project planning, structuring, costing, cost benefit analysis and prioritisation
- Define detailed guidelines for appraising and screening proposals (a.o. decision criteria)
- Bring together all investments proposals, irrespective financing source
- Allow for budget transfers between years (subject to certain conditions)
- Create coordination mechanisms between project preparation and budget preparation
- Focus on medium term to long term
- Phase steps for decisions on investment projects in budget time table
How to achieve efficiency in budgeting investments (cont.)?

- Define credible and realistic budget envelopes with hard budget constraint
- Time needed for obtaining reliable data and appraisal defines timing of project proposal
- Invest time in training in adequate development and analysis of costing and benefits of projects
- Budget realistically maintenance costs existing capital cost
- Base cost of investment on whole of life costs (capital investment + operating cost + maintenance cost)
- Develop procedures for reviewing all major investment proposals (done by MoF of Agency)
- Analyse the final results of projects in terms of both costs and benefits
- Prepare completion reports for all investment projects (with MoF or Agency)
THANK YOU!

www.sigmaweb.org