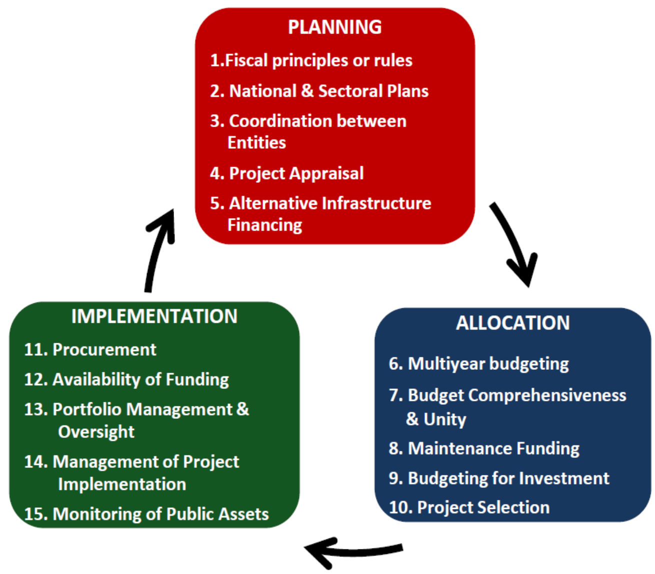
C. The PIMA Framework

13. The IMF has developed the Public Investment Management Assessment (PIMA) framework to assess the quality of the public investment management of a country. It identifies the strengths and weaknesses of institutions and is accompanied by practical recommendations to strengthen them and increase the efficiency of public investment.

14. The tool evaluates 15 "institutions" involved in the three major stages of the public investment cycle (Figure 21). These are: (i) planning of investment levels for all public-sector entities to ensure sustainable levels of public investment; (ii) allocation of investments to appropriate sectors and projects; and (iii) delivering productive and durable public assets.

Figure 21. PIMA Framework Diagram



15. For each of these 15 institutions, three indicators are analyzed and scored, according to a scale that determines whether the criterion is met in full, in part, or not met (see Appendix II for the PIMA Questionnaire). Each dimension is scored on three aspects: institutional design, effectiveness, and reform priority:

- Institutional design refers to the objective facts indicating that appropriate organizations, policies, rules, and procedures are in place. The average score of the institutional design of three dimensions provide the score for the institution, which may be high, medium, or low.
- Effectiveness refers to the degree to which the intended purpose is being achieved or there is a clear useful impact. The average score of the effectiveness of three dimensions provides the effectiveness score for the institution, which may be high, medium, or low.
- Reform priority refers to whether the issues contained within the institution are important to be improved in the specific conditions faced by Sierra Leone.

16. The following sections provide the detailed assessment for Sierra Leone according to this methodology.

D. Overall Assessment

17. Sierra Leone's public investment management institutions underperform other countries in the region on almost all 15 institutions. The institutional design of Sierra Leone is assessed to be lower than the average of African countries that have undertaken the PIMA for all institutions, except for one institution (budget comprehensiveness) (Figure 22). In particular, four institutions (project appraisal, project selection, availability of funds, monitoring of public assets) are assessed to have the lowest score. The effectiveness of these institutions is also assessed to be lower than the average of African countries, except for a few institutions (Figure 23).

Figure 22. Public Investment Management Institutional Design

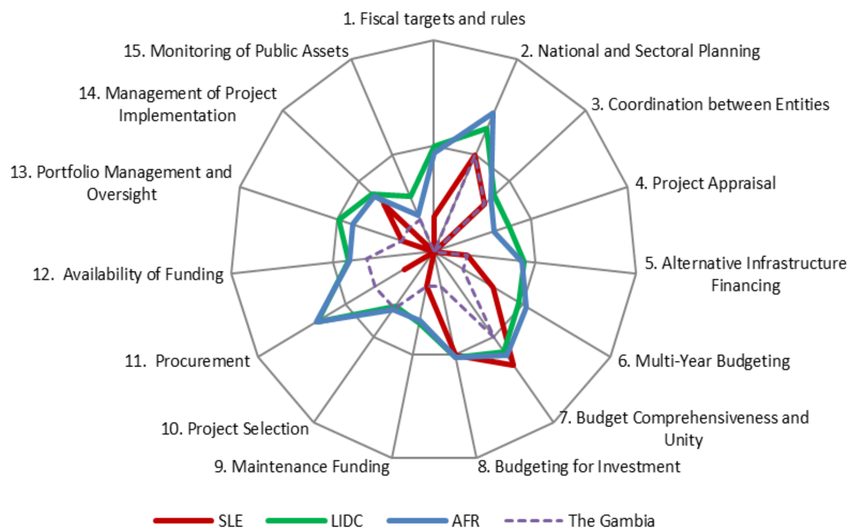
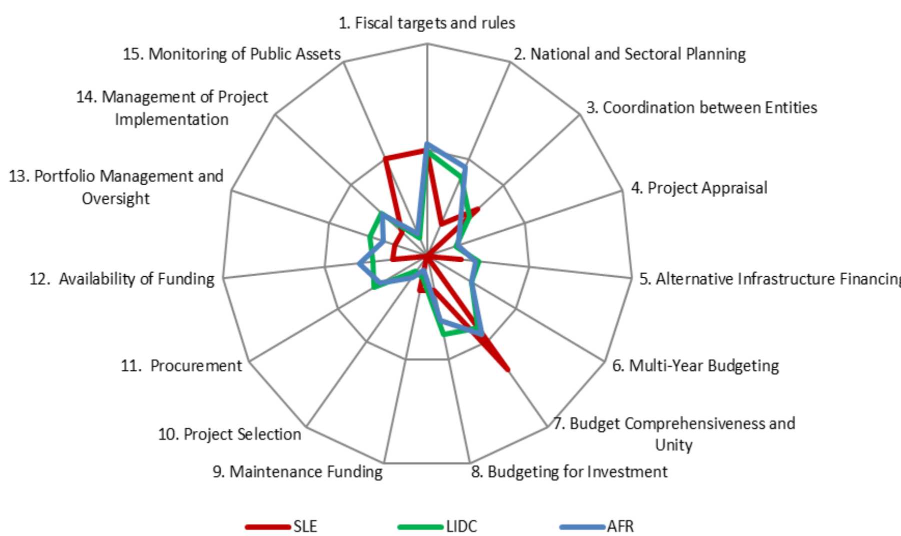


Figure 23. Public Investment Management Effectiveness



18. The following sections provide the detailed assessment for Sierra Leone's public investment management institutions. Each institution is provided an aggregate score for institutional design and effectiveness, followed by the supporting evidence of how these scores were derived.

E. Investment Planning

1. Fiscal Principles or Rules (Design—Low; Effectiveness—Medium)

19. Sierra Leone has adopted a fiscal responsibility framework, and has put in place a nominal debt ceiling of 70 percent of GDP. The Public Financial Management (PFM) Act 2016 requires the government to maintain a prudent level of debt, and an appropriate balance between revenues and expenditures, but does not specify permanent numerical rules. Instead, it requires any new government to set fiscal objectives for five years in its first Fiscal Strategy Statement (FSS). The FSS 2019—the first of the current government—targets an average deficit, including grants, of 2.8 percent of GDP for 2019–23, and sets a ceiling to nominal debt of 70 percent of GDP, in line with the country's commitment under Economic Community of West African States. This ceiling however has neither constrained nor provided operational guidance to fiscal policy in recent years: government debt doubled from 30 percent of GDP in 2013 to 63 percent in 2018 (Figure 12).

20. In the medium term, the targets agreed under the Extended Credit Facility Program with the IMF provide operational guidance to fiscal policy. These are a gradually reduction domestic bank borrowing to around 2 percent of GDP over the program period to contain inflation and the interest bill; a quantitative performance criteria on the net credit to the government; and an indicative target on the domestic primary balance.

21. The medium-term fiscal framework underpinned in the FSS does not guide the budget process. The PFM Act 2016 requires the government to submit the FSS to Parliament in July. The FSS should contain the macro-fiscal forecasts, and outline the government's fiscal objectives, and policy priorities. This, together with the budget call circular, is expected to serve as the basis for budget preparation and discussion on both recurrent and capital spending. Currently, the FSS is only made available at the time at which the budget is submitted for approval.

2. National and Sectoral Plans (Design—Medium; Effectiveness—Low)

22. The Medium-Term National Development Plan (MTNDP) is published, but the absence of master plans in the road sector affects investment planning of other sectors. The MTNDP 2019–23, which was approved in February 2019, provides for broad strategic guidance on development projects in all sectors and with all financing sources, including PPPs. Many sectors have the sectoral strategies, which typically include more detailed information on projects and activities. However, the Ministry of Works and Public Assets is preparing but yet to

finalize a master plan, which shows the road network that the sector intends to develop. The Sierra Leone Road Authority (SLRA) has a strategic plan, which focuses, however, on institutional issues and is not published.

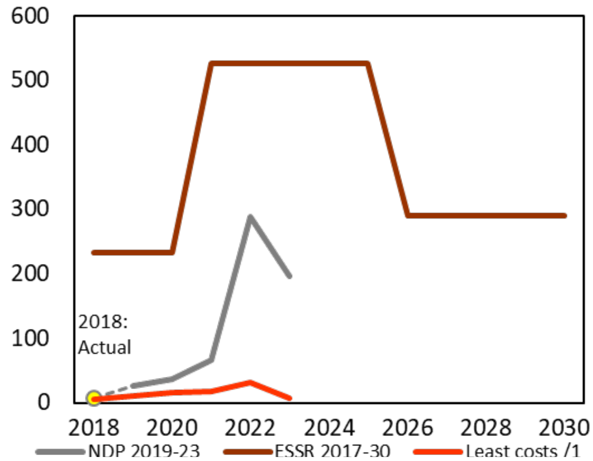
23. **The MTNDP and sectoral strategies include broad estimates of total costs but do not always include costing of individual projects.** The MTNDP presents costing information broken down by sector, but does not disclose costs of individual projects. Some sectoral strategies (e.g. National Action Plan for Health Security (NAPHS) 2018–22) include costs of individual projects and activities. However, strategies of other sectors include only broad estimates of total costs (e.g. Electricity Sector Reform Roadmap (ESRR) 2017–30) or do not include costing information (e.g. National Renewable Energy Action Plan (NREAP) 2015–20/30). The lack of project costs information makes it difficult to review various sectoral strategies and ensure they are consistent with the MTNDP.

24. **Some, but not all, sectoral strategies include targets for both outputs and outcomes.** For example, the ESRR 2017–30 includes both output (e.g. generation capacity in MW of EGTC) and outcome targets (e.g. number of households that have access to electricity). However, the NAPHS includes only broad statement of objectives without measurable outcome targets (e.g. prevent likelihood of outbreaks).

25. **Sectoral strategies that were prepared before the MTNDP are yet to be reviewed in full to ensure consistency with the MTNDP.** The MTNDP's horizon is matched with the term of the government. However, some sectoral strategies were prepared before the MTNDP approval (e.g. ESRR and NREAP). This makes it possible that projects included in those strategies are not aligned with priorities and fiscal constraints shown in the MTNDP. For example, in the energy sector, costs of ESRR between 2019–23 are five times larger than the amount allocated by the MTNDP (Figure 24).[2] This is because the MTNDP presents the underlying fiscal framework and has sharply prioritized proposed projects in order to fit their costs within the fiscal framework. At least for the medium term, the MTNDP's costs for the energy sector are closer to the least investment costs necessary for reducing losses of state-owned energy companies and ensuring their business sustainability (see also Institution 5). While financial resources are reduced, some outputs and outcome targets of the MTNDP remain as ambitious as sectoral strategies in the energy sector (Figure 25). For various planning documents to provide coherent guidance on project planning, it is necessary for the MoPED to review sectoral strategies made before the MTNDP and require MDAs to update them in light of the MTNDP.

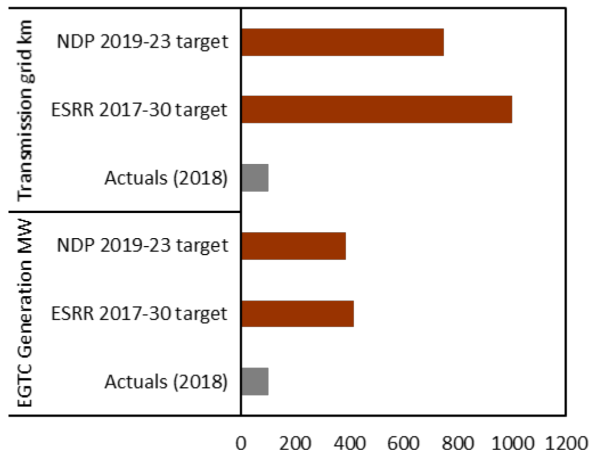
[2] The opposite tendencies exist in other sectors. The costs of NAPHS for 5 years are estimated to be USD 291 million, while the MTNDP allocates USD 428 million to the health-care. There is no explanation of this difference.

Figure 24. Total Annual Costs of Energy Sector Projects
(USD million)



Source: MTNDP and ESRR

Figure 25. Performance Targets of Energy Sector Strategies
(Index 2018=100)



Source: MTNDP and ESRR

1/Least costs are drawn from the World Bank' study presented in "Project Paper on a Proposed Additional Credit to the Energy Sector Utility Reform Project," April 2019.

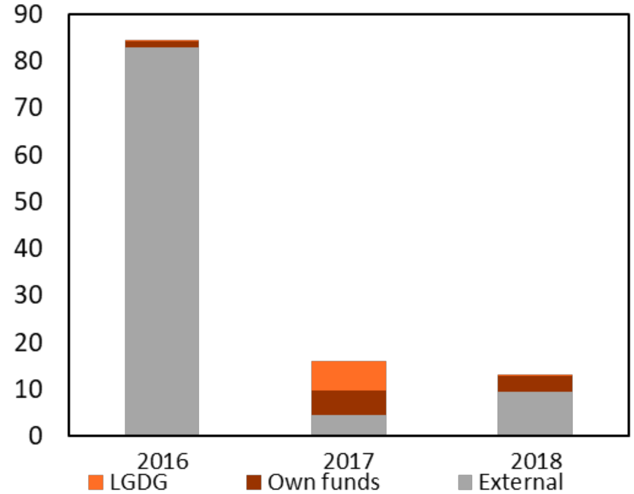
3. Coordination Between Entities (Design—Medium; Effectiveness—Medium)

26. Major capital projects of local governments are formally discussed with the central government, but their budgets are not published in a website. The funding sources of local government capital projects include: (i) their own revenue; (ii) Local Government Development Grants (LGDG); and (iii) external financing. A list of capital projects funded by own revenue are reviewed by the MoF through the budget process where the MoF as well as the Ministry of Local Government and Rural Development scrutinize the draft local government budgets. Financing from LGDG is reviewed by the MoF on a project-by-project basis as discussed below. The MoF also negotiates and signs all agreements for external financing of local government projects. However, the local government budgets that have a list of projects are yet to be published in a website. Some externally financed projects of local governments do not appear in either the central or local governments' budgets (e.g. the new Freetown City Hall Complex project).

27. Capital transfers to local governments through LGDG do not yet follow a rule-based system. When LGDG was originally created in 2004 with development partner's support, the amount of transfer to each district council was intended to be based on the transparent criteria. After the donor left a space, the amount of transfer was decided on a project-by-project basis, targeting a small number of selected ongoing projects. Given a cash constraint, a district council barely knows the amount of transfer, until receiving disbursements.

28. The absence of a consolidated pipeline of all capital projects of local governments may reduce the effectiveness of coordination with the central government. In aggregate, capital projects of local governments have been minimal in recent years (0.1 percent of GDP in 2017). However, some local governments are implementing major projects through external financing. For example, the new Freetown City Hall Complex project financed by a Korean EXIM Bank loan, which was raised by the MoF and on-lend to Freetown City Council, raised a level of local governments' capital spending in 2016 (Figure 26). The central government does not have systemic access to pipelines of projects that each local government plans to implement. This may pose challenges for the central-local coordination, because some local governments are envisaging to expand capital projects. For example, Freetown City prepared the new development plan ("Transform Freetown") in 2018, which includes major projects with total costs of USD 200 million.

Figure 26. Capital Spending of Local Governments (SLL billion)



Source: Staff estimates based on MoF data and DAD

29. Government guarantees are presented in the budget document, but other contingent liabilities are not. An annex of the budget document presents a list of government guarantees (0.3 percent of GDP in 2018). The Fiscal Strategy Statement for 2019 also includes a list of possible government guarantees required for planned PPP projects. Borrowing of local governments and public corporations are reported to, and subject to the limits set by, the MoF under the Public Debt Management Act 2011. However, the budget documents or Fiscal Strategy Statements do not include full disclosure of a broader range of contingent liabilities, such as on-lending (e.g. on-lending to Freetown City Council for the new city hall complex project), SOEs' liabilities, or implicit contingent liabilities associated with PPPs.

4. Project Appraisal (Design—Low; Effectiveness—Low)

30. Processes appraising the feasibility of project proposals, as well as their economic and financial impact, are yet to be put in place. The PFM Act 2016 requires a proposing agency to submit an appraisal of its project to the MoF before approval is granted, regardless of the source of funding. The PFM Regulations 2018 requires a Public Investment Operational Manual to prescribe the appraisal, selection and implementation processes, with standard methodologies on how to design, cost, assess the technical and economic viability of a project, and the availability of alternative options. This Manual is still under preparation.

31. Some domestically financed major projects undergo full appraisal, some partial, while others bypass this stage, and move straight to implementation. The March 2019 Technical Audit of the Social Security, Telecommunications, Civil Works and Energy Sectors undertaken by the Auditor General (hereinafter called "March 2019 technical audit") reviews 18 road projects, only four of which underwent full appraisal (technical and economic). While some may have been appraised in the past, with documents no longer available, others were clearly only assessed on their technical feasibility, without proper cost benefit and environmental impact assessments.[3] This lack of comprehensive appraisal is based on the design and build approach sometimes used by SLRA (i.e., contractors are awarded projects and expected to gradually design and cost them as work progresses), on the basis that roads are being built on existing sites, and do not require further studies. However, this has in the past led to frequent adjustments and additions during implementation, as exemplified by the 25 kms Lumley-Tokeh road, which has been 10 years in the making, costing six times the initial estimates (see Institution 14). In addition, presidential initiated projects, such as a proposed new Freetown airport, were, in the past, approved and loan agreement entered into, without being appraised (see Institution 10).

32. The capacity to centrally review and challenge project proposals is limited and constrained by the selection process. Technical capacity resides within the implementing agencies (e.g. SLRA and EGTC); capacity within their parent ministries is even weak than in central ministries. The MoPED, whose role is to challenge the economic assessment of proposed projects, has, in practice, little say on project selection, which is perceived to be driven by political considerations (see institution 10). Consequently, agencies often get away with proposals that are based on optimistic assumptions, with insufficient appreciation of the risks inherent in implementation. Box 3 illustrates this with the example of the Wellington – Masiaka Toll Road.

33. While it may be difficult to eliminate political pressure during project selection, enhanced transparency requirements on appraisal can hold decision makers accountable. Publishing analysis of the economic impact of selected projects would encourage MDAs to take the appraisal process more seriously. It can encourage decision makers to seek alternative options for projects that do not appear bring expected economic benefits. Currently, appraisals are only published for externally financed projects, if so required by the development partner.

[3] For example, the Freetown street Phase II and Waterloo township road projects.

Box 3. The Wellington-Masiaka Toll Road

The Wellington – Masiaka Toll Road project is a PPP agreement between the Government of Sierra Leone (GoSL) and the China Railway Seventh Group (CRSG) to widen 63 kms of the 240 kms highway that connects Freetown to Bo. CRSG will built and maintain the road for 25 years, after which it will be handed over to the GSL, in return to collecting tolls over this period. The current toll structure charges mid-size private cars about USD 0.40, and commercial trucks USD 15 for a one-way usage.

The appraisal of this project—which is not published—estimates toll collection at USD 8 million initially, rising to USD 20 million at the end of the 25 years. The overall economic benefits, in terms of reduced commute times, and increased economic activity is estimated at USD 30million annually (1 percent of current GDP). These benefits appear to be based on assumptions for freight traffic used for developing new railway projects in other countries. An enlargement to a four-lane dual carriageway of an existing road with limited traffic, this road is different in nature.

The project has generated controversy within the country. Toll booths have already been installed and road users charged, while construction is still under way. Users, commercial and private users alike, are also questioning the toll structure. While there may be good economic arguments in favor of this project, publishing the appraisal may help to allay some of these concerns.

5. Alternative Infrastructure Financing (Design—Low; Effectiveness—Low)

34. A few economic infrastructure markets are opened to competition; and some independent regulators have been established. In the power sector, the National Electricity Act 2011 unbundled the former National Power Authority into the state-owned upstream (Electricity Generation and Transmission Company – EGTC) and downstream companies (Electricity Distribution and Supply Authority – EDSA). While the EDSA is the sole power distributer, a power generation market has been liberalized and includes independent power producers (IPPs). In the telecom sector, a land-line service is provided only by Sierratel, a state-owned telecom company, but a private sector is active in mobile markets. In the water sector, two state-owned companies are the sole suppliers.[4] The independent regulators responsible for setting tariffs include the Electricity and Water Regulatory Commission and the National Telecommunication Commission.

35. The PPP policy that implements the PPP legal framework is yet to be published. The PPP Act 2014 provides for high-level principles, including the contents of PPP agreements, the roles of the PPP Unit, and the procurement process. In practice, the process has been developed for appraisal and selection of PPP projects. In case of a "solicited project" initiated by the government, MDAs prepare first a project roadmap (pre-feasibility) and then a feasibility study, both of which are scrutinized by the PPP Unit, which is under the Vice-President's Office and plays a gatekeeping role.[5] The MoF (Fiscal Risk Division) assesses a "financial clause" which

[4] Guma Valley Water Company supplies water to Freetown and Western area. Sierra Leone Water Company (SALWACO) suppliers water in the rest of the country.

[5] The mission saw a cost-benefit analysis of rehabilitation of the Wellington-Masiaka toll road (see Institution 4).

sets out the deadline for a private partner to secure funding. With consent of the MoF as well as Ministry of Justice, a project will be selected by the Cabinet for the implementation.[6] However, there is no published PPP policy that documents this process and clarifies the guidance on planning and selection. For such PPP policy, the draft PPP regulations and guidelines for energy sector PPPs are being prepared and expected to be published next year.

36. The investment plans of public corporations are reviewed by the MoF only when they are funded by donors or the budget. Most major projects of public corporations require funding from donors or the budget and thus are scrutinized by the MoF during the budget process. Some SOEs also undertake capital investments with their own funds. For example, the EDSA implements a project to connect a mining company in Kono to a transmission line with its own funds. These projects are reviewed and approved by the shareholding line ministry, but are not reviewed by the MoF. The MoF Fiscal Risk Division has collected the financial statements of SOEs, but is yet to produce a report on their investment plans or financial performance, other than the budget document, which only shows revenue, expenditure, and net profits of SOEs.

37. Financial analysis of investments through PPPs and public corporations has not captured implicit contingent liabilities in full. While Sierra Leone is yet to make extensive use of PPPs (see Chapter I), the energy sector is planning a few major PPPs and is planning to add more to the pipeline. The Fiscal Strategy Statement published in September 2018 lists five PPP projects for power generation, which adds around 215 megawatt (MW) to the installed capacity. They are still at a preparatory stage, undergoing a feasibility study process. The MoF and PPP Unit control government guarantees on private partners' financing by providing a limited amount of guarantees for a short-period of time (e.g. six months). If a private sector fails to secure financing within this period, the contract will be cancelled. However, the MoF and PPP Unit has not completed assessment of implicit contingent liabilities arising from the energy PPPs, which are likely to have substantial impact on SOEs' financial viability (Box 4).

[6] In case of a "unsolicited project" proposed by a private partner, MDAs review project viability and sign an MOU with a private partner. The PPP Unit then hires experts who prepare a feasibility study.

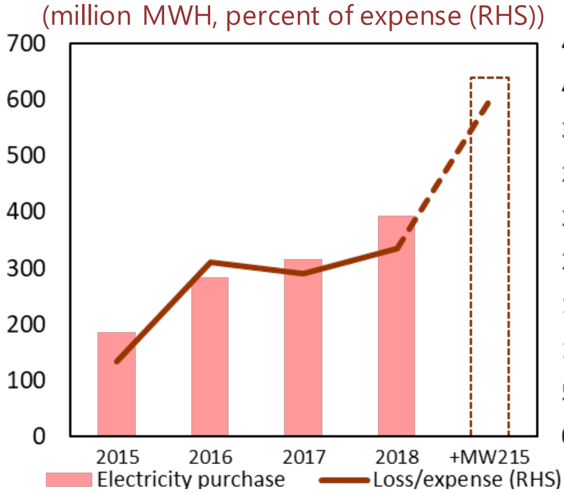
Box 4. Impact of Energy PPPs on State-Owned Energy Companies

Since 2015 when the EDSA and EGTC were operationalized, the installed capacity of power generation has been almost doubled from around 100 MW to 200 MW. This is achieved mainly by increasing IPPs, including the Turkish Karadeniz power-ship (126 MW) and the EMCO in Bo. The EDSA, which is the sole purchaser of electricity from IPPs, is suffering from losses arising from worn out transmission lines and losses on tariff collection. The tariff structure does not include transmission fees to compensate loss of electricity during transmission, which increases exponentially as more electricity flows. In the current situation, the EDSA makes more losses as more electricity is generated. Its ratio of net losses to electricity purchase costs has increased from 9 percent in 2015 to 22 percent in 2018 (Figure 27). If no measure is taken, adding capacity of 215 MW through PPPs could double the level of EDSA's loss ratio. Such high level of losses impacts SOEs' financial viability and public finance. Because payments to IPPs are prioritized over those to the EGTC, it has accumulated a large amount of receivables in arrears owed by the EDSA (Figure 28). Because of lack of cash to buy fuels, the EGTC has effectively ceased its operations (see Chapter II). This is still not enough to allow the EDSA to pay for IPPs. In 2019, the government budget paid SLL 160 billion directly to IPPs, which were around half of the EDSA's revenue.

Source: IMF mission

Figure 27. EDSA's Electricity Purchase and Net Loss

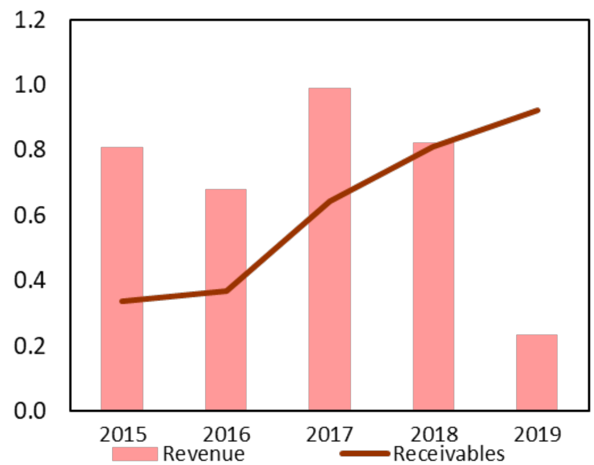
(million MWH, percent of expense (RHS))



Source: staff estimates based on budget profiles

Figure 28. EGTC's Revenue and Receivables

(Percent of GDP)



Source: staff estimates based on budget profiles

Recommendations on Investment Planning

Issue 1: Sectoral strategies do not adequately guide investment planning or support the implementation of the MTNDP.

Recommendation 1: Improve the transparency in sectoral strategies and their consistency with the MTNDP by:

- Publishing a Master Plan on Road Sectors for the MTNDP period, with costing information of individual projects;

- Reviewing sectoral strategies prepared before the MTNDP approval and making updates necessary for aligning them with the MTNDP.

Issue 2: Processes for appraising projects are not in place and many projects were not appraised before they were selected.

Recommendation 2: Appraisal should be strengthened by:

- Enforcing section 73 of the PFM Act 2016 that requires that all capital projects being proposed are accompanied with their cost and appraisal documents;
- Developing and publishing the guidelines and template upon which the MoPED will review the appraisal of new projects;
- Requiring the publication of the appraisal of approved projects including PPPs before their inclusion in the PIP.

F. Investment Allocation

6. Multiyear Budgeting (Design—Medium; Effectiveness—Low)

38. The budget document presents projections of capital spending broken-down by individual projects over the next three years. An annex of the annual budget includes a "Public Investment Program" (PIP) which presents, in respect of each development project, (i) spending for the next three years broken down by domestic and external financing and (ii) the names of donors and funding types (grants v. loans) in case of externally financed projects. Projects are grouped by a cluster of the MTNDP.

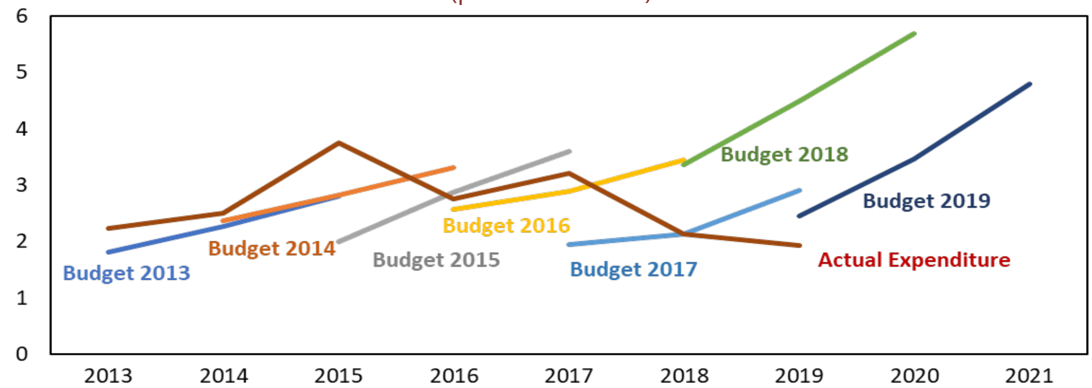
39. There is no multiyear ceiling on capital expenditure. Although the PIP presents multiannual projections, these do not constitute ceilings. In a Budget Call Circular, multiyear ceilings on MDAs' budget submissions cover only non-wage, non-interest, recurrent expenditure. The MoF determines budget allocations to capital expenditure by scrutinizing every individual project. In a template defined by a Budget Call Circular, MDAs submit detailed "project profiles" for all new and ongoing projects.

40. There is no publication of total costs of major projects. While MDAs are required to provide the MoF with updated total costs through a project profile, they are not published in the budget document. Furthermore, the MoF does not maintain a centralized, comprehensive database on multiannual contracts, although the MoF approves all contracts, total costs of which exceed SLL 200 million (around USD 20,000).

41. Projections for capital expenditure have included large forecast errors (Figure 29). Until the recent year, there were systemic tendencies of projections being over-spent due mainly to the lax in-year adjustment rules (see Institution 13). Since the 2018 budget, projections have been under-executed due mainly to cash shortage.

Figure 29. Projections and Actuals of Domestically Financed Development Expenditure

(percent of GDP)



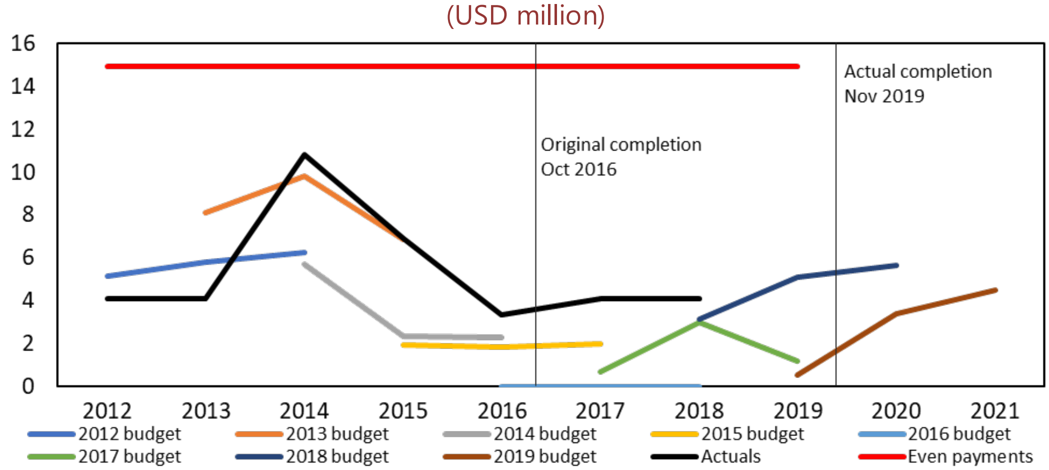
Source: mission based on budget profiles.

Note: This graph captures both recurrent and capital expenditure included in development expenditure

42. **The absence of information on total costs, multiannual contracts, paid amount, and unpaid invoices has been reducing the budget credibility.** An underlying cause of the budget deviations is a multiannual contract not being factored into the budget. For example, in case of the Makeni-Kamakwe-Madinaoula road, which was domestically financed and started in 2012 and should have been completed in 2019, the total contract value was USD 119 million. If this amount was paid equally before the project was completed, the budget would spend USD 15 million every year. However, the budget allocation was USD 3 million and actual spending USD 5 million on average between 2012 and 2019 (Figure 30). This difference forms arrears if a contractor performs the contractual obligations. The authorities discuss that factoring multiannual contracts into the budget in full is difficult at this moment given a large amount of unpaid invoices carried over from the past years. However, as a first step, it is necessary to disclose in the budget document (i) updated total costs, (ii) multiannual contracts, (iii) amount paid, (iv) amount of unpaid invoices, and (v) updated project completion date, in respect of each project, in order to verify gaps between the budgets and commitments.

Figure 30. Spending for Makeni-Kamakwe-Medinaoula Road Project

(USD million)



Source: Mission based on budget profiles and the March 2019 technical audit report

7. Budget Comprehensiveness (Design—Medium; Effectiveness—Medium)

43. Budget documentation includes capital projects undertaken or funded by central government, regardless of funding sources. Annex 4 of the Budget Profile, which Parliament approves, contains the list of projects in the PIP. The name of the funding agency (GoSL, or donor), the type of funding (grant or loan), any GoSL copayment, and estimates of the outlays for the budget year, and two outer years are provided. The PIP also includes projects implemented by subvented agencies, such as the SLRA, and by public corporations, provided they are funded through the budget.

44. It does not include capital spending done by local governments and public corporations from own revenue. Local governments, which have little own source revenue and receive little or no grants for capex, tend to spend little on capital projects. The notable exception is the Freetown City Council Administrative Complex worth USD 50 million, funded by the Korean Exim Bank. Given the precarious financial position of the most public corporations in recent years, their capex has been minimal, even by those that are capital intensive, such as EDSA, EGCT, Guma Valley Water Company, or Sierratel.

45. The capital budget is prepared by the MoPED, alongside the recurrent budget prepared by the MoF, but follows neither program nor functional classifications. The capital budget is presented along three dimensions: (i) the eight policy clusters set in the MTNDP 2019-2023; (ii) the ministries responsible for implementation; and (iii) the project description. Neither a program structure nor the international classification of the functions of government (COFOG) are used in Sierra Leone.

8. Budgeting for Investment (Design—Medium; Effectiveness—Low)

46. Capital outlays are appropriated annually, but the total project costs and multi-annual commitments are not included in the budget document. See also Institution 6. Section 35 of the PFM Act 2016 requires disclosure of multiannual commitments in PIP, but this provision has not been implemented yet.

47. Reallocations from capital to recurrent expenditure are prohibited by the PFM Act 2016 (Section 43(5)) without parliamentary approval of supplementary budgets. However, the budget classifications for projects use development expenditure concepts without breakdown between recurrent and capital expenditure. In PIP, around half of allocation to development expenditure seems to be of recurrent nature. Because reallocations between different projects included in PIP are permitted (see Institution 13), they effectively allow reallocations from capital to recurrent projects.

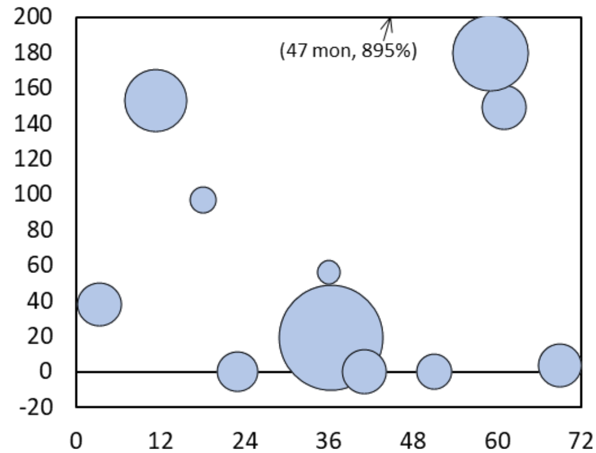
48. The policy exists to prioritize ongoing projects over new projects, but has been hindered by new projects being implemented as changes in ongoing projects. For example, the Budget Call Circular for 2019 stipulates that the priority will be given to the completion of

ongoing projects and prohibits MDAs from submitting new projects, other than those included in the Fiscal Strategy Statement as government priorities. However, as discussed in Institution 14, several new projects have been implemented as "addition" or "Phase II" of ongoing projects. These projects are considered as changes in ongoing projects and able to bypass the above noted policy to prioritize ongoing projects.

49. Implementing new projects as project changes has complicated baseline costing of ongoing projects. For example, in case of 12 major road projects covered by the March 2019 technical audit, the project completion has been delayed for more than three years on average. However, response of total costs to project delay differs significantly across projects (Figure 31). Total costs of five projects have increased by more than 100 percent after project delay. This implies that delay in these projects was caused by new roads being added to the existing projects. In contrast, total costs of four projects have not changed although their completion has been delayed by two to six years. This implies that contractors adjusted projects to cut costs and absorb cost increase caused by delay. In order to establish accurate baseline, a project change exceeding a threshold needs to be considered as a new project and its costs need to be separated from costs of completing existing works.

Figure 31. Project Delay and Total Cost Increase of 12 Road Projects

(X-axis: months delay, y-axis: percent increase, size of bubbles: total costs)



Source: Staff based on the March 2019 technical audit

9. Maintenance Funding (Design—Low; Effectiveness—Low)

50. A standard methodology for determining the needs of routine maintenance exists in some but not all sectors. Some sectors have developed a database on conditions of assets and a methodology for identifying the maintenance needs. For example, the SLRA developed a database on road conditions by using a specific software and a methodology for selecting roads for routine maintenance. However, for many assets, including government real estate and school buildings, comprehensive databases and maintenance policies are yet to be developed.[7]

51. The MTNDP and sectoral strategies include capital maintenance projects, but a standard methodology for identifying the capital maintenance needs does not exist in all sectors. The MTNDP and many sectoral strategies give emphasis on the needs of capital

[7] "Performance audit report on the management of school facilities by the Ministry of Education, Science and Technology" by the Auditor General (October 2018) mentions that there was no policy or guideline for maintenance of school buildings and no maintenance plan was prepared.

maintenance (e.g. the ESRR 2017–30 and the "Education Sector Plan 2018-2020"). However, a standard methodology for prioritizing maintenance projects is yet to be developed for many assets, as discussed above.

52. Routine maintenance is not systemically identified in the budget. Capital maintenance can be identified in a PIP, which is an annex of the budget. However, routine maintenance is not systemically identified in the budget, which uses activity classifications for non-wage, non-interest expenditure without breakdown to economic items. In case of the road sector, routine maintenance is financed through the Road Maintenance Fund Administration (RMFA), which is funded by earmarked fuel levy and vehicle registration fees. Between 2016 and 2018, the RMFA financed not only recurrent maintenance but also major rehabilitation of roads. However, the RMFA is an extrabudgetary entity and its budget is not included in the government budget, which shows only the amount of transfer to the RMF.

53. The inadequate funding for routine maintenance reduces infrastructure outputs. For example, actual spending for recurrent maintenance of government buildings has been minimal. It was limited to SLL 4 billion (USD 0.5 million) on average between 2015 to 2018. In case of the energy sector, a study shows that a failure rate (i.e. number of outage per km per year) of a distribution line increases exponentially as a function of age (Figure 32).[8] If we follow this model, in Sierra Leone where most distribution lines were built before the civil war in the 90s, roughly around 14 out of 100 power outages per year per user could be attributed to the aging of distribution lines. In case of the road sector, the budget for transfer to the RMFA has been under-executed for the last five years (Figure 33).[9] In 2018, only 24 percent of the original budget amount (USD 4 million) was disbursed to the RMFA. Furthermore, between 2016 and 2018, around 80 percent of the RMFA's funding was diverted to capital road projects. In 2016 and 2017, the RMFA also borrowed respectively around USD 5 million and USD 7 million with government guarantees, in order to finance major road rehabilitation projects.[10] Although in 2019 the RMFA adopted the new policy and disbursed its funding only to routine maintenance, it is important to protect maintenance funding by developing maintenance policies and increasing transparency in their budget allocation.

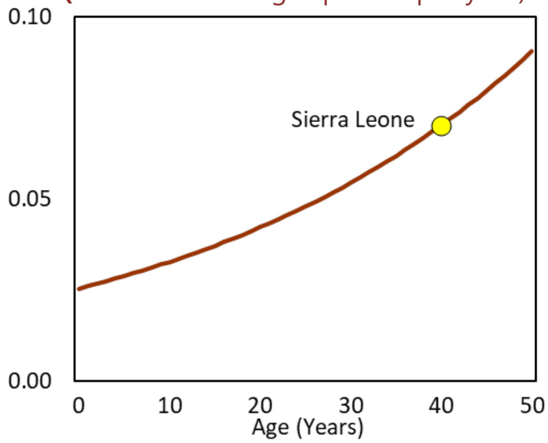
[8] Nemati et. al. (2015) "Reliability Evaluation of Underground Power Cables with Probabilistic Models," *International Conference on Data Mining.*

[9] https://tradingeconomics.com/

[10] The RMF financial statements for 2016, the Fiscal Strategy Statement for 2018.

Figure 32. Failure Rate of Transmission Lines

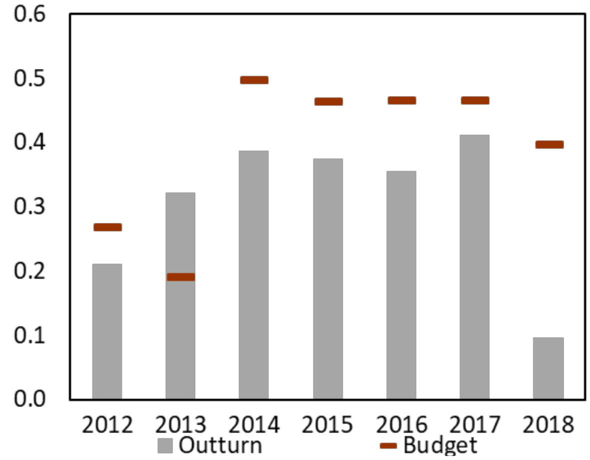
(Number of outages per km per year)



Source: Staff estimates based on Nemati et. al. (2015)

Figure 33. Transfer to the RMFA

(percent of GDP)



Source: Staff estimates based on final accounts

10. Project Selection (Design—Low; Effectiveness—Low)

54. Some major projects have been included in the budget without preparing proposals, feasibility studies, or designs. In the existing project selection process, the MoPED screens project proposals before they move to subsequent stages (Figure 34). In this process, a project is required to prepare a proposal, feasibility study, and design, before its civil work is included in the budget or donor financing arrangements. Several major projects followed this process. Examples include the Makeni-Kamakwei-Medinaoula road project and the project for rural electrification of six district towns. [11,12] However, some major projects bypassed this process, particularly when there was political pressure. For example, in case of the new Freetown International Airport project, a loan agreement was signed before a feasibility study was undertaken. The Waterloo township road project was included in the budget without cost-and-benefit analysis; and a contractor started civil work before a full design was prepared.[13] The full design of the Lumley-Tokeh road project was completed ten years after the project started in 2009, due mainly to significant and repeated project changes (see Institution 14).[14]

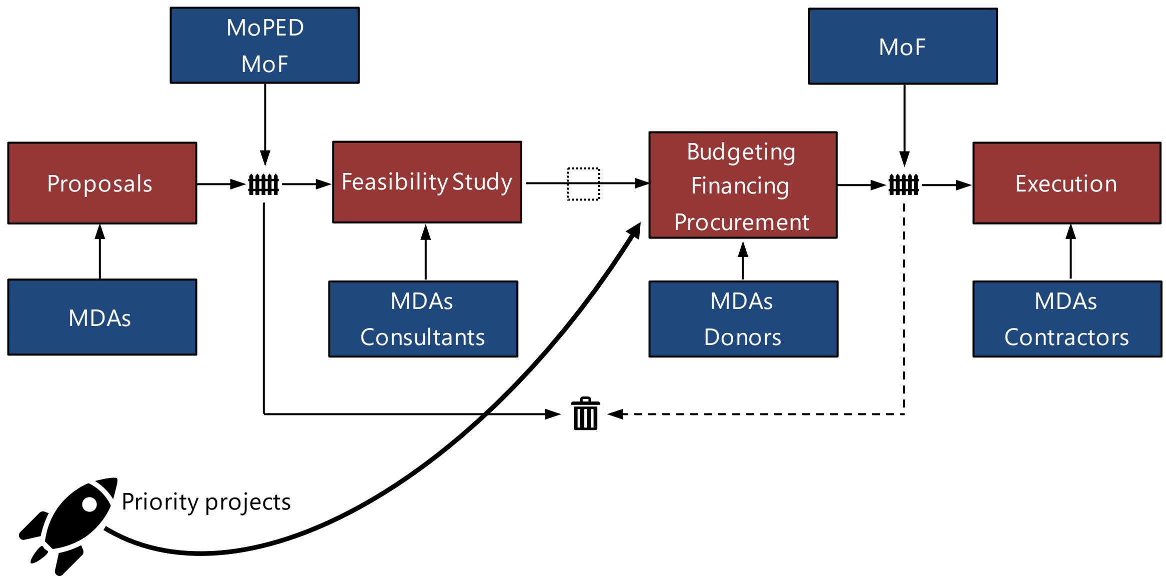
[11] The March 2019 technical audit. This is one of the biggest road projects in recent years (total costs USD 119 million). According to the said audit report, cost-and-benefit analysis, technical studies, and entire designs were prepared before the civil work started.

[12] A copy of the project proposal was made available to the mission.

[13] The March 2019 technical audit. The total project cost is USD 14 million. In this type of situation, a contractor concurrently designs and builds a small section of a road on a piecemeal basis as the work progresses.

[14] MoF announcement on 23 May 2019 (available at the Ministry of Information and Communication website) and the presidential speech on 14 Nov 2018 (available at the State House website).

Figure 34. Existing Project Selection Process

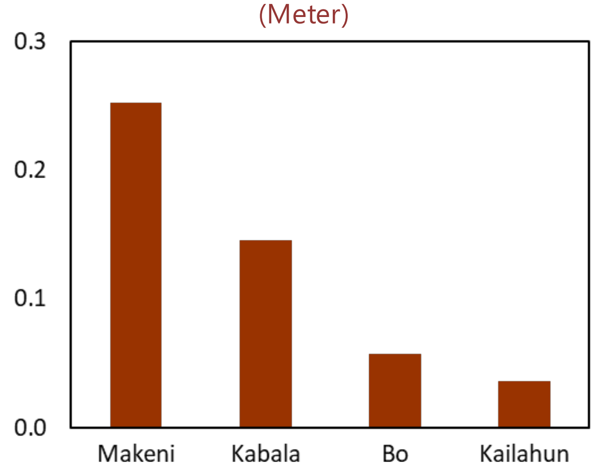


Source: IMF mission

55. The project selection process and criteria are yet to be published. The MoPED screens project proposals by using a scoring system, based on the following indicators; (i) the needs assessment; (ii) identification of key activities; (iii) technical feasibility; (iv) costing; and (v) a financing plan. MDAs demonstrate these indicators in project proposals prepared in the defined format. These criteria or process are prescribed only in an internal circular and not published, although the PFM Regulations (Section 19(5)) requires publication of the "Public Investment Operational Manual."

56. The absence of published selection criteria has created perception of projects being selected by political motivations. For example, under the township road projects, which started in 2016 and rehabilitated certain length of roads in each main township, there was no clear criteria on determining how many kilometers of road work were allocated to each township. Since townships in a northern side (e.g. Makeni, Kabala) tends to be allocated longer length of road works in terms of population than those in a southern side (Bo, Kailahun), the mission was informed that the allocation was often perceived to be driven by political motivations (Figure 35). Publishing the project selection criteria is

Figure 35. Length of Road Work per Person Under Township Road Projects
(Meter)



Source: Staff estimates based on SLRA project tracker

necessary to enable stakeholders to understand how projects are prioritized and increase a possibility of projects being selected by their benefits.

57. The MoPED maintains a consolidated list of all project ideas and proposals, but not a prioritized pipeline of appraised projects. The MoPED (i) collects from all MDAs lists of project ideas or "wish lists"; (ii) maintains a consolidated list of project proposals prioritized by the scoring system noted above; and (iii) collects all feasibility studies and economic analysis of projects from MDAs. However, the MoPED is yet to prioritize appraised projects based on the results of feasibility studies and economic analysis. Maintaining a prioritized pipeline of appraised projects ready for financing and implementation is important to show which projects can be more sustainable (i.e. affordable for maintenance) and generate more benefits and inform the decision-making on project selection.

Recommendations on Investment Allocation

Issue 3: Multiyear contracts of ongoing projects are not factored in the budget and not protected from new projects that are implemented as changes in ongoing projects

Recommendation 3: Increase transparency in total costs and multiyear contracts of capital projects and improve the budget credibility by:

- Publishing an annex of the annual budget, which presents, for each project, (i) updated total costs, (ii) updated value of multiannual contracts, (iii) amount already paid, (iv) amount of unpaid invoices, and (v) updated project completion date;
- Separating appropriations for recurrent and capital expenditure in the PIP;
- Clarifying in the Budget Call Circular that a project change that increases total costs by a certain threshold is considered as a new project and is deprioritized in the budget process.

Issue 4: Inadequate maintenance is deteriorating performance of infrastructures and assets.

Recommendation 4: Protect funding for routine maintenance by:

- Requiring each sector to prepare and publish a maintenance policy;
- Creating a separate line item in the budget for routine maintenance of each MDA;
- Presenting in the budget document the RMF budget with clear allocations to routine maintenance of SLRA and local districts, separately from other expense.

Issue 5: Project selection is often not guided by sustainability or economic benefits.

Recommendation 5: Establish a project selection process based on the transparent criteria and prioritized pipeline of projects by:

- Publishing the project selection criteria which apply to all projects including PPPs, as part of the public investment guidelines and manuals required under the PFM Regulations;

- Developing methodologies for scrutinizing the feasibility studies and economic analysis and prioritizing appraised projects;
- Designing a prioritized pipeline of appraised projects including PPPs and maintaining it.

G. Investment Implementation

11. Procurement (Design—Low; Effectiveness—Low)

58. The procurement system is decentralized to cover central government, local councils and SOEs. Decentralization of procurement functions and the establishment of operational procurement units and procurement committees in all procuring entities is now fully integrated into the public sector administration processes.

59. Procurement oversight is undertaken by the regulatory body. The Sierra Leone National Public Procurement Authority (NPPA) was established under the Public Procurement Act (PPA) of 2004 and revised in 2016 to perform procurement oversight functions and advise government on public procurement management. The NPPA does not have a mandate to review and approve procurement plans as well as approving contracts for procuring entities. This is the responsibility of the MoF as an entity responsible for managing the national budget. However, the NPPA is mandated to ensure compliance with the procurement plans approved by the MoF, which has created lapses by allowing procuring entities to by-pass the regulatory authority. Public access to procurement information is minimal. Adverts for major projects are published in local newspapers but information on the various stages of tendering or the award of contracts is not available to the public nor the NPPA.

60. The PPA requires public investment projects to be tendered through open competitive bidding, but it is not always the case in practice and the public has limited access to procurement information. The PPA 2016 in its Section 37 provides for open tendering as a default procurement method but also the Act allows other methods that limit competition and provides conditions under which they should be used (sections 38, 39, 40, and 41). A large number of infrastructure projects are funded by donors and the PPA allows donor procurement procedures to be used in cases where the PPA conflicts with the donor procurement procedures mainly on tenders that approach international market. Section 26 of the PPA requires procuring entities to promptly publish (in Gazette and local newspapers of wide national circulation) each contract award that exceeds SLL 600 million threshold for works but this is not done on all major investment projects. The NPPA does not impose sanctions for non-compliance with this requirement.

61. There is insufficient database and patchy information covering all public procurement activities. The NPPA does not have a database on major investment projects and there is no mechanism in place to collect procurement data from procuring entities. Section 15(3) of the PPA makes a provision for mandatory reporting of procurement activities through the

Procurement Committee. However, reporting by most procuring entities (with the exception of a few) is inconsistent and untimely. To compensate for this poor reporting, the NPPA conducts annual surveys to collect the required procurement information from entities. The NPPA devotes significant effort to carry out the surveys thereby making the exercise both costly and time consuming. In addition, the procurement and contract management information available in the records of procuring entities is not comprehensive; some files are missing and some procurement and contract management decisions that are made are not recorded. There are no analytical reports made on major investment projects by the regulatory authority.

62. **Contract management of investment projects is a very big challenge.** It is characterized by delays in implementation process, amendments and variations to contract that are far above the original contract cost, price adjustments during project implementation and cancellation of contracts pre-maturely due to lack of funds. The legal requirement that contract amendments beyond 15 percent original amount be approved by the NPPA is often flouted. Advance payment guarantees and performance bonds issued by other financial institutions other than banks are being accepted contrary to the Act while notification of award of contract is not communicated to the losing bidders nor published in major newspapers or the NPPA's website. In addition, contracts are missing major contractual provisions such as liquidated damages, warranties, termination, breach of contract, modification/variation and term.[15]

63. **The NPPA is often excluded from procurement of major public works, large part of which do not seem to be subject to open competitive process.** In 2018, the NPPA reviewed 5,709 procurement activities performed by 136 entities for a total value of Le725,74 billion. In terms of value, a large majority of all procurement captured by the NPPA was through open competitive bidding methods (Table 4). However, a large part of procurement activities captured by the NPPA were for the procurement of goods. A portion of procurement of goods made through competitive processes is higher than that of Works. The amount of procurement of works captured by the NPP is less than 25 percent of total domestic development expenditure in 2018. This indicates the exclusion of the NPPA from the procurement of major public works, which are often procured in non-competitive manners. It was also observed from the contract files that most of the contracts below the threshold for open competitive bidding which could have been aggregated to attract competition were split into smaller lots that allowed for the use of Request for Quotations (RFQs). On the other hand, 89 percent (5,062) of the activities were planned with a value of Le 572,59 billion. Declining unplanned procurement indicates an improvement in planning of procurement activities.

[15] The 2018 annual assessment report of the NPPA.

Table 4. Sierra Leone: Key Procurement Indicators, 2018

	Value (SLL billion)	Percent of all captured procurement
Total procurement captured by the NPPA	725.7	100
ICB goods and services	357.9	49
NCB goods and services	91.3	13
ICB works	78.1	11
NCB works	60.6	8
Others	137.8	19

Source: NPPA

64. **The authorities have made strides to strengthen the overall procurement management in recent years, although there is still much required for further improvement.** The government through the World Bank funded project is supporting the following procurement reforms:

- Introduction of an electronic procurement system (e-GP) to improve transparency and efficiency of procurement processes;
- Review of the PPA and Procurement Regulations to streamline with new technological requirements and remove ambiguities of some clauses;
- Strengthening of the NPPA through technical assistance and staffing; and
- Capacity building of procurement cadre at both central level and local councils in order to improve on efficiency.

65. **The PPA established the Independent Procurement Review Panel (IPRP) for purposes of conducting independent administrative review of challenges to the process of the award decisions and complaint arising out of it.** The IPRP consist of three members appointed by the Minister of Finance from among eminent Sierra Leoneans with a background in public procurement, the Sierra Leone Chamber of Commerce, Industry and Agriculture, the business community, university, legal profession, and other relevant fields. The Panel carries out a grievance redressal mechanism for aggrieved bidders/suppliers. Since the IPRP's inception, only few complaints have been reported due to the fear of retaliation as Government is a major source of business for most. Where complaints are made there are significant delays in decision making and complaint resolutions are not published.

12. Availability of Funds (Design – Low; Effectiveness - Low)

66. **Commitment ceilings are not issued in a timely manner and not linked with the cash availability shown in cashflow forecasts.** Cashflow forecasts prepared by the Cash Management Unit in the Accountant General's Department (AGD) are primarily used for cash rationing. Quarterly commitment ceilings for development projects are issued by the MoF using a Public Expenditure Tracking Form-1 (PET Form-1) on recommendations of the MoPED.[16] MDAs

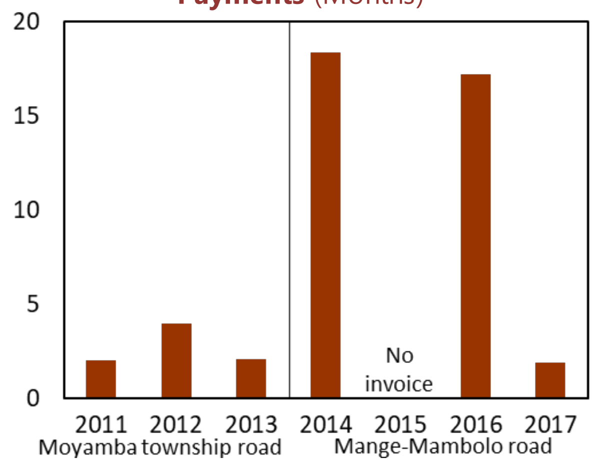
[16] Hansen et al, "Sierra Leone: Strengthening Fiscal management," March 2019.

are required to submit project profiles to the MoPED, which proposes to the MoF an allocation for each project. After scrutinizing these proposals, the MoF directly issues a PET Form-1 to MDAs for payments processing. Quarterly commitment ceilings are often issued with significant delay (e.g. two months after the beginning of a quarter) or sometimes not issued but combined with next quarter's ceilings.

67. **Project payments are subject to cash rationing.** All payment vouchers for capital projects submitted to the AGD for payments are sent to the MoF Finance Secretary for prioritization and approval. Only for approved vouchers, cheques are printed and sent to the Bank of Sierra Leone (BSL) for payment. There remains a large amount of printed but not cleared checks at the AGD and BSL, which stood at SLE 1.1 trillion (3 percent of GDP) at the end of June 2019.[17]

68. **External financing is largely held outside the Treasury Single Account (TSA) and mostly in commercial bank accounts**. For each externally financed project, a separate government bank account is opened and managed by MDAs.[18] Receipts and expenditures under these projects are not reported in the accounts of the Government but disclosed in the notes.[19] Integrated external financing into the TSA may be a long-term issue.

Figure 36. Average Delay in Invoice Payments (Months)



Source: March 2019 Technical Audit Report

69. **Significantly delayed and unpredictable payments for capital projects have been a major cause of project delay and arrears accumulation.** Neither the budget documents nor commitment ceilings indicate when funds will be available for a capital project. In practice, payments for capital projects are determined on a case by case in a not-transparent manner. For example, the March 2019 technical audit finds delays in invoice payments of two different road projects (Figure 36). Although payments were always delayed from the deadline (60 days after the invoice date) for both projects, one project was paid much faster than the other project. For the latter project, no invoice was submitted in 2015, while 15 invoices were submitted in 2016. This could imply that delayed and unpredictable payments affected financing of a contractor, who further delayed a project until it found a financing source.

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[17] This includes both recurrent and capital expenditure.

[18] According to annual accounts of the Government, an amount of SLE 100.87 billion was held in these bank accounts as of 31st December 2018.

[19] Appendix-4A, Development projects fund flows, the annual General Purpose Financial Statements, 2018.

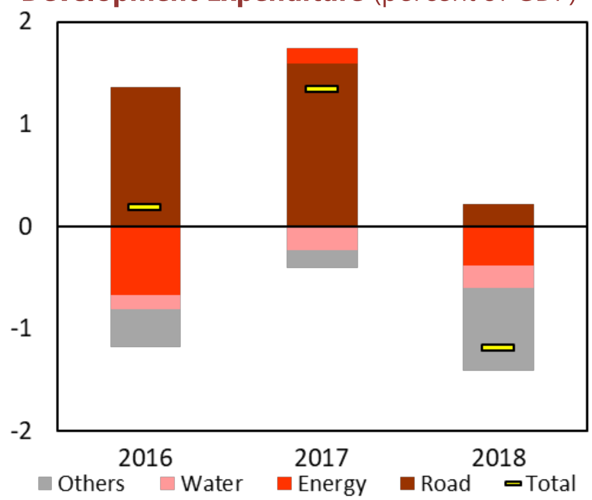
The absence of timely and predictable funds for capital projects has adversely affected the budget execution and resulted in suspension of projects and accumulation of arrears.[20] The current mission undertook in-depth assessment of the allotment and budget execution process, which provides a set of recommendations.

13. Portfolio Management and Oversight (Design – Low; Effectiveness - Low)

70. Monitoring activity of major projects by central agencies is limited. For a capital project, a detailed monthly report on physical and financial progress, which is prepared by a consultant hired for a project, is submitted to MDAs. MDAs use these monthly reports to monitor project implementation. For example, the SLRA maintains a "project tracker" of ongoing projects, including updates of contracted and spent amount, physical progress, annual spending projections, and starting and ending dates. However, the purpose of project monitoring by the MoF and MoPED is centered in processing of quarterly allotments and invoice payments. MDAs' project tracker is not consolidated into a central database. Neither the MoPED nor MoF regularly produce a report that analyzes and makes recommendations on project progress.[21]

71. Funds can be reallocated between projects, but the process for budget adjustments has not been transparent. Before the approval of the PFM Act 2016, the in-year adjustments were made through various procedures such as special presidential warrants, many of which were not transparent. This permitted both the original and revised budgets to be overspent through the execution. The PFM Act 2016 strengthened controls over the in-year adjustments. This includes new virement rules where the MoF can make reallocation within the same ministry up to 10 percent of total budget of that ministry; and reallocation between different ministries require the approval of a supplementary budget (Section 43). However, the progress in implementing the PFM Act 2016 has been somewhat slow. The budgets for road projects have been overspent for the last three years (Figure 37). Simultaneously, the budgets for other sectors' projects, such as

Figure 37. Outturn Minus Budgets of Development Expenditure (percent of GDP)



Source: Staff estimates based on final accounts

[20] According to SLRA, seven road projects have been suspended due to non-availability of funds.

[21] The government published "Nationwide Verification and Monitoring of On-Going Development Projects" included the Agenda for Prosperity in December 2015. However, this was a one-off monitoring activity. The MoF was producing a semiannual public investment report only until 2017.

energy and water, tend to be under-executed. The budget documents or final accounts do not explain how resources were reallocated across different ministries.

72. There is no systemic ex post review of major projects other than inspection of works for payments. MDAs and the MoF undertake in-field inspection of civil works, in order to process payments. An ex post review that assesses more broadly the project planning and implementation and discusses lessons learnt is regularly produced for externally financed projects as per the donor requirements. The MoPED has recently produced such ex-post review report that cover both externally and domestically financed projects, but the report is not published; and this is yet to be made a regular, systemic exercise.

73. In the absence of an ex post review, several projects have been abandoned or ceased to generate outputs, shortly after the completion. In the energy sector, examples include the solar-powered streetlight project and the procurement for thermal power plants in district headquarters project, both of which were domestically financed and implemented until 2016. The former built tens of streetlights each with a solar battery in every main township. Almost all these street lights stopped functioning soon after the completion, because of (i) the design flaw—a solar battery was designed for a dry weather and breaks in the rainy season; and (ii) the lack of economic analysis—maintenance parts are not available in Sierra Leone and so unaffordable. As discussed in Chapter II, the thermal power plants in district headquarters have ceased to generate powers, due to the EGTC's financial problem. Similar problems have occurred in a range of sectors. For example, seven vocational schools built in the late 2000s were all closed without being used for one day, due to the government change. Only one school has been converted into a college by a development partner, while the rest were abandoned. Currently, the National Monitoring and Evaluation Department (NAME) of the MoPED, which was established in 2018, is planning to produce an annual monitoring report of government program and projects. An ex post review is necessary to sheds light on inefficient projects and draw lessons for the future projects.

14. Management of Project Implementation (Design – Medium; Effectiveness - Low)

74. Project management arrangements are in place, but reliable implementation plans are not always available before the budget approval. The arrangements somewhat vary across sectors. For the road sector, the SLRA has 66 qualified engineers from whom a project manager is appointed to each project. A consulting company is hired for each project, which reviews a design, stations engineers in the field, reviews invoices and Interim Payment Certificates (i.e. certificates of works done), and prepares a monthly progress report, which are sent to the SLRA's project manager for approval. In the energy and water sectors, SOEs are responsible for project implementation and appoint project managers from the engineers. For some externally-financed projects, a Project Implementation Unit is established (e.g. a Bo-Kenema transmission line project). MDAs in the social sector manage capital projects through internal engineers (e.g. the Ministry of Health and Sanitation). Because of significant and frequent project changes and delays, it is difficult for MDAs to prepare reliable implementation plans that

underlie the budget proposals. The March 2019 technical audit report found that in the road sector the SLRA did not have an updated work program of 18 ongoing road projects.

75. **There is no standardized rules or procedures for project adjustments.** There is no requirement to reappraise a project when there is a significant project adjustment. The Procurement Regulations provide that price variations exceeding 15 percent of the original price constitute a new procurement and require re-tendering. However, this rule has not been implemented for several capital projects (see Institution 11).

76. **The absence of re-appraisal requirements motivates frequent and significant project changes and allows a new project to bypass the project appraisal.** Such project changes caused cost overshoot and implementation delay and posed a challenge to the project feasibility. For example, the Tokeh-Lumely road project was originally designed as a 2-lane road but expanded to 4 lanes. The original design included two bridges, which were later removed and subsequently put back. The project is still ongoing ten years after the commencement, because the topological conditions of the last few kilometers is challenging to build a wide road. This project expansion and delay increased the total costs fivefold (Table 5). In addition, several new projects have been implemented as "addition" or "extension" or "Phase II" of ongoing projects, so that the new projects could bypass the project appraisal as well as the procurement process. This is caused by the absence of the project adjustment policy, which requires re-appraisal and re-selection of a project that is experiencing total cost increase exceeding a threshold or has passed certain number of years after the commencement.

Table 5. Sierra Leone: Examples of Cost Increases due to Project Changes (USD million)

	Original Contract	Revised Contract	Project Changes
Tokeh-Lumely road	28	140	Changing from 2 lane to 4 lanes
Roads in Bo, Kenema Makeni, Magburaka	10	80	Including 20.2km of additional roads in the original project of 21.2km of roads
Jomo-Kenyatta, Hill Cot Junction, Choithrams road	23	96	Adding Jomo-Kenyatta road as "Phase II" of the original project
Roads in Western Area of Freetown	9	34	Including various additional roads
Rokupr Spur – Mange – Mambolo road	14	37	Including 11 km of additional township roads
Roads in Moyamba, Pujehun, Mattru Jong	15	36	Adding a new bridge, a new walkway,
Roads in Port Loko, Kambia, Lunsar	9	14	Including 7.2 km of additional roads in the original project of 14 km of roads

Source: SLRA project tracker, mission

77. **The Audit Service conducted for the first time an external audit of 18 major road projects in March 2019.** The March 2019 "technical audit," cited elsewhere in this report, was a one-off exercise requested by the government. Previously, the Audit Service undertook only financial audits of major projects. The March 2019 technical audit assessed the public investment management process of 18 major road projects, including (i) the existence of feasibility studies,

economic analysis, and designs; (ii) the magnitude of project delay and cost increase; (iii) the procurement irregularities; and (iv) the evaluation of physical outputs in comparison with designs. This was undertaken by inviting experts from Kenya, Tanzania, and Uganda.

78. The absence of systemic ex post audit and follow-up process weakens an incentive for MDAs to comply with the public investment management process. Because the Audit Service does not have an engineer or project management expert, it does not have a plan to continue the technical audit on major infrastructure projects on a systemic, regular basis. In addition, there is no process in place to follow up on recommendations of the technical audit. The March 2019 technical audit report drew media attentions when it was published and submitted to Parliament, but the Public Account Committee is yet to prepare a recommendation in response to the report. MDAs also have not provided any substantive response to the report.

15. Monitoring of Public Assets (Design – Low; Effectiveness – Medium)

79. The asset register is neither comprehensive nor updated regularly. The National Asset and Government Property Commission is responsible for maintaining an asset register. However, the commission has been understaffed for a long time and is in a process of reforms. The asset register has been outdated and not comprehensive. Several government buildings appear to be occupied illegally and need to be stock-taken and recovered.

80. There are no statistics on government nonfinancial assets. The government finance statistics follows a cash basis and does not include information on public capital stock.

81. Some sectors have developed the own asset registers and been monitoring the assets conditions. As mentioned in Institution 9, the road sector maintains a road database used for prioritizing the maintenance needs. The health and education sectors are undertaking surveys of heath and school facilities, in order to inform the development of a maintenance policy and the prioritization of capital projects in the future.

Recommendations on Investment Implementation

Issue 6.1: NPPA is mandated to ensure compliance with the procurement plans approved by the MoF, which has created lapses by allowing procuring entities to by-pass the regulatory authority.

Recommendation 6.1: Revise the Procurement Law and Regulations to allow for joint approval of procurement plans and robust coordination between MoF and NPPA.

Issue 6.2: NPPA and the wider public do not have complete information on the various stages of tendering or the award of contracts – legal requirement to publish contract award that exceeds the Le600 million threshold is often flouted.

Recommendation 6.2: The government should strengthen the capacity of NPPA by:

- providing the authority with sufficient financial and human resources to enforce the Law and harmonize public procurement processes in the public service;

- allowing the NPPA to exercise its mandate as required by Section 15 of the PPA that gives it power to obtain information and impose remedial sanctions for noncompliance.

Issue 6.3: There is insufficient database and scrappy information covering all public procurement activities; and the NPPA does not have database on major investment projects and there is no mechanism in place to collect procurement data from procuring entities

Recommendation 6.3: The government should expedite the implementation of the online electronic procurement system (e-Procurement) and make it mandatory for all large investment project.

Issue 6.4: Contract management of capital projects is characterized by delays in implementation process, variations to contract far above the original cost, price adjustments during project implementation and cancellation of contracts pre-maturely due to lack of funds.

Recommendation 6.4: The government should develop:

- systems for managing contracts for capital projects and ensure that all designs are comprehensive and approved by a panel of experts and the NPPA before implementation;
- procedures for variations, price adjustments and contract amendments to ensure that they are in accordance with the law and approved by NPPA in open and transparent way;

Issue 6.5: There is an independent procurement review panel (IPRP) that reviews complaints but it has heard on few complaints and where complaints are made there are significant delays in decision making due to lack capacity and its complaints' resolutions are not published.

Recommendation 6.5: Organize regular training programs for the IPRP to enhance its capacity to complete reviews in a reasonable time; and raise public awareness and sensitization about existence of independent review panel to build public trust and confidence in the Panel and make its resolutions.

Issue 7: Delayed and unpredictable invoice payments severely affected the project implementation and led to accumulation of arrears.

Recommendation 7: Improve the quarterly allotment and commitment controls for capital projects by implementing recommendations of the in-depth assessment report by the current mission.

Issue 8: Several projects are abandoned or ceased to generate outputs soon after the completion.

Recommendation 8: Undertake ex post review and audit of major capital projects in a regular, systemic manner by:

- Operationalizing the NaMED and producing an annual report on public investment projects, which should be published;
- Assessing the resource needs for the Audit Service to undertake regular ex-post technical audits of major capital projects.

Issue 9: Several new projects or significant project expansion have been implemented as changes in existing projects without being appraised

Recommendation 9: Develop and implement the project adjustment rules by:

- Requiring a project to be re-appraised and re-selected when (i) an increase in the total costs exceeds a threshold or (ii) the project is ongoing for more than a certain number of years;
- Applying this project adjustment policy to major ongoing projects which require more than few years to be completed.

CROSS CUTTING ISSUES

H. IT Support

82. **A computerized information system for capital projects is available in some sectors but not at a central agency.** As mentioned in Institution 9, the road sector uses a specific software to maintain a road database and prioritize the maintenance needs. The MoPED uses an excel to monitor project progress. The NaMED is planning to procure a computerized system to support its monitoring activities.

83. **The MoPED should be given at least access to the IFMIS in order to facilitate their project monitoring.** The Public Investment Management Department has lost access to the IFMIS when the MoPED was separated from the MoF. It is expected to recover access to the IFMIS in the next months.

I. Legal Framework

84. **The PFM Act and Regulations provide the sound legal framework for public investment management.** The PFM Act 2016 and the PFM Regulations 2018 were prepared with the support of a series of FAD missions. Section 35(1) of the PFM Act 2016 requires the budget documents to include a "Public Investment Program," which is required to present medium-term spending projections, multiannual commitments, and other details of all PPPs and development projects. The same section empowers the Minister of Finance to issue the methodologies for public investment management. Building on these sections of the Act, the PFM Regulations 2018 set out (i) the principles of affordability, economic viability, and best option for all major projects and PPPs (regulation 19(1)); (ii) the gatekeeping role of the Minister of Finance to assess these principles and refuse un-appraised projects to be included in the budget (regulations 19(1)