PUBLICATION MANAGEMENT (PIM) IN CONTEXTS OF FRAGILITY, CONFLICT & VIOLENCE (FCV) - PART 1

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Introduction: A government’s provision of complementary public goods, such as roads and bridges, facilitates the development of markets leading to long-term economic growth. Private enterprise, by itself, is unlikely to provide such public works. Likewise, a government’s investment in social infrastructure, such as education and health, is critical, particularly for conflict-ridden populations deprived of adequate services. Furthermore, scaling-up public investment is central to development, especially in FCV contexts, which are often left with rudimentary or badly-damaged infrastructure.

Public investments in FCV countries are often inefficient and ineffective, prone to waste, corruption and misappropriation. They are often highly concentrated in a few units or agencies with weak institutional capacity. Thus, supporting better management of public investments in FCV countries is critical to (re)creating economic and social infrastructure. This infrastructure is key to quickly restore basic services and the reestablishment of trust between the state and citizens. As such, it can allow for citizens to reap early peace dividends and plant the seeds for long-term stability.

This Middle East and North Africa (MENA) Quick Note is a response to questions that Bank teams face when addressing infrastructure and PIM deficiencies in FCV contexts. These include: Is PIM in FCV different? How can weak PIM capacity be addressed? What are PIM starting points for spurring economic growth?

Rationale for Intervention: Efficiency in capital expenditures has become increasingly important given public funding constraints in FCV countries. Many arguments for creating fiscal space are about better management of scarce resources and boosting public investment in physical assets, such as public and/or social (health, education) infrastructure that contributes to improvements in human capital. Yet, despite recent progress in the quality of public investment in some countries, challenges in core functions remain (see also “World Bank Governance Forum 2017 – Foundations and Frontiers”, May 15-19, 2017). These lead to many inappropriate projects, repeated cost overruns, implementation delays, poor investment outcomes, and confusion and duplication of PIM roles, responsibilities and processes, among other issues.

Today, FCV governments face the huge governance and financial challenge of rebuilding war-torn infrastructure, as well as creating jobs — and maintaining peace and security. Key to rebuilding will be reducing the significant infrastructure deficit so that these fragile economies can grow. This challenge is compounded by weak governance and institutions. Hence, allocating scarce resources (natural, human and capital) toward obtaining maximum social and economic benefits should be at the top of their development agendas. To do this, FCV countries need PIM systems that perform well despite systemic capacity constraints. Governments should seek good-fit projects, rather than “best practice” projects, informed by their own development priorities.

1 The authors work in the World Bank’s Governance Global Practice.
In FCV situations, public investment management must be adapted to the fragility cycle. This requires a differentiated approach in response to the fragility landscape. The approach to strengthening the PIM system would be different for deeply fragile state with weak institutions and poor governance as opposed to a state in transition with a peace agreement.

**Important Steps in a PIM System:** Regardless of the financing source of a public investment program, an adequate PIM system should include the following elements: (i) an assessment of the current PIM system (in cases where a full assessment is infeasible or would not produce useful information, a one-off review of a project portfolio of recently-completed projects or projects still in implementation can be a rapid, cost-effective way to identify improvements in the project planning and execution phase; closer monitoring of project implementation can also generate useful information regarding the sources of weakness in the planning phase); (ii) the development of a PIM governance framework, including a PPP law and procedures; and (iii) the preparation of a three-year rolling PIM Action Plan – eventually moving to a Maximizing Finance for Development (MFD) Strategy when appropriate. 2 These actions would go a long way in an FCV context to ensure clarity and coherence in the PIM process, leading to a clear set of PIM priorities for the coming three years. The Action Plan areas of focus and implementation would be differentiated by the fragility context of countries.

**PIM/PPP Assessment:** The first step in addressing weaknesses in the PIM system is through a PIM Assessment for a good understanding of the existing system. This Assessment should identify strengths, weaknesses and gaps in each stage of the whole-of-government PIM process. This should include the PPP process as a subset of the PIM process and governance framework. As such, it would cover policies on capital budgeting, and PPPs. In many FCV countries, the PIM system is very limited or nonexistent and will need to be rebuilt. In other cases, undertaking the Assessment can be hazardous and/or impossible due to security issues. In the latter, a simple survey filled out by local authorities and/or development partners in the field would suffice for a better understanding of system priorities.

Where Bank teams can conduct an in-country evaluation, a basic PIM Assessment should combine analysis of the institutional structure, process mapping, and the use of PIM diagnostic tools and indicators for an integrated review of the existing PIM system’s performance. The PIM Assessment should also explain why identified performance strengths, weaknesses and gaps matter in the FCV context. The analysis should cover the linkages with procurement and wider PFM systems. The performance report should also rely as extensively as possible on the quantitative indicators collected or estimated as part of the data gathering for PIM Assessment. The subsequent Action Plan must consider a business process re-engineering (BPR) to help organizations rethink PIM functions to improve service delivery, reduce operational costs, and achieve desired results.

The following examples illustrate the steps necessary to (re-)establishing a functional PIM system.

- **Afghanistan:** A preliminary PIM Assessment was conducted in late 2017, and a summary of major gaps and recommendations shared with the Government, forming the basis for the government’s PIM reforms. Under the MoF-led effort, the current PIM work is aligned with the Fiscal Performance Improvement Plan (FPIP) to strengthen core governmental systems3: Four key PIM issues were identified to be addressed by the government over the medium term: 1/ Separating the budget cycle from the project

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3 The goal of the Fiscal Performance Improvement Plan (FPIP) is to bring more of the funds and decision-making under the budget to address the fragmentation and weak coordination that are typical of post-conflict contexts.
cycle; 2/ Identifying criteria in selecting high-quality investments aligned with the country’s development vision; 3/ Upstreaming the harmonization of the PPP and PIP pipelines; and 4/ Streamlining institutional arrangements, systems, procedures, capacity, and management necessary for effective PIM.

- **Haiti**: In 2014, a PIM Assessment was conducted by the government to better understand the strengths, weaknesses and gaps in each stage of the PIM process. The Assessment revealed that Haiti’s public investment management system is fragmented, with distinctive features common to aid-dependent countries – including weak appraisal capacity, and reliance on donors to design good projects. As such, there is insufficient support and basis for the development of a sustainable and robust PIM system. Furthermore, domestically-funded capital expenditures were improperly accounted for, tracked and reported on, denoting lack of accountability and transparency - a potential risk of mismanagement of scarce public resources. These are the key areas to be addressed by a PIM improvement project in the short term.

- **Iraq**: A PIM Assessment was conducted in 2015 and led to three key recommendations. The PIM policy and management weaknesses revealed by the Assessment up until 2014 include low economic returns on the public investment portfolio, large capital budget allocations, and low levels of spending. They were due in part to poor project design, planning and preparation. The recommendations were to: 1/ Improve the PIM system (PIMS); 2/ Implement a solid PIMS as government capital spending intensified, along with utilization of significant domestic financing; 3/ Install a complete PIM training system to improve local capacity; and 4/ Integrate Iraq’s PIM System with the budgetary accounting system through the Iraqi Development Management Information System (IDMS), designed to become the information technology (IT) backbone of the PIM System. This includes the creation of the IDMS interface within the Iraqi Financial Management Information System (IFMIS) currently under development, with a unified framework for both PIP and PPP operations. The IDMS should improve and strengthen planning capacity and prioritizing and making better informed investment decisions for the federal government’s project portfolio. Also, it should improve the strategic allocation of resources, helping to solve budget integration issues.

**PIM/PPP Governance Framework**: When the public investment decision framework leads to PPPs, the agency will use the PIM-PPP governance framework. FCV governments must strengthen their PIM/PPP governance framework for managing public investments to improve the efficacy (each project must be verified for strategic fit to determine eligibility), and efficiency (each project must undergo an economic cost-benefit analysis). This will ensure that they achieve the best possible results in terms of provision of goods and services. The decision to establish a PIM governance framework should encompass traditional public investment project (PIP) financing and a PPP process to determine project prioritization (based on cost-benefit analysis and expenditure efficiency), financing modalities (on-budget or through PPPs) and continuous monitoring of the fiscal affordability of all projects.

A formal system of public investment project appraisal must provide the basis for government to move ahead with only those initiatives that are the most economically attractive and beneficial. It should allow for the transformation of “investment ideas” into “public investment projects”, and then into “public investment decisions”. In the short term, given weak governance and capacity in FCV countries, where possible, governments should consider PPPs. This entails the absolute necessity of conducting risk analysis, which would provide a relatively quick infusion of capacity, and potentially of financing, to meet immediate requirements for economic and social infrastructure. Hence, as a priority in the early post-conflict years, FCV governments should consider establishing the institutions and capacity to undertake PPPs.
o Afghanistan: Given the economic situation, a strengthened Afghan PIM system needs to include: 1/ Increasing investment spending by increasing the share of infrastructure investments in the budget where possible, and reorienting budgetary allocations from poorly performing projects to well performers; 2/ Selecting investments likely to be the most effective in stimulating the economy and/or protecting vulnerable groups; 3/ Helping to accelerate investments between concept and implementation by building capacity to efficiently appraise proposals; 4/ Improving the quality of investment spending by regular M&E; 5/ Focusing public investments on the effective implementation of the Afghanistan National Peace and Development Framework (2017-2021 ANPDF); and 6/ Strengthening capacity building in project preparation, appraisal, selection and implementation.

o Haiti: To address the fragmentation of the PIM system, the Assessment recommended clarification of the existing PIM regulatory framework for planning activities with clearly responsibilities from identification to implementation and project completion. This means a new procedures manual to simplify existing, often cumbersome procedures.

o Iraq: Cabinet Decree 445 of October 18, 2015 adopted a PIM legal framework establishing a public investment decision-making process covering project concept, pre-feasibility, feasibility studies, capital investment prioritization, financing modalities, project execution, continuous monitoring of fiscal affordability, and ex-post evaluation. This is a key step in establishing a formal, uniform and consistent PIM process, mandatory for all public investment projects. In 2019, the federal government plans the preparation of an integrated PIM/PPP framework to facilitate MFD implementation.

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4 See “Methodology for Pre-Selection of Public Investment Projects in Afghanistan” (World Bank, February 2017).

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