



INFRASTRUCTURE GOVERNANCE

European Regional Network



October 8, 2020 Webinar

PREPARING FOR THE NEXT BIG PUSH IN INFRASTRUCTURE

“Strengthening the Role of the Ministry of Finance in Project Selection”

Summary Report

The webinar “Strengthening the Role of the Ministry of Finance in Project Selection” was the second of a series of webinars on Infrastructure Governance in Europe being organized by IMF’s FAD. The purpose of the series of webinars is to shed light on the current challenges faced by practitioners responsible for public investment management, with special focus on SEE countries.

This second webinar was aimed at discussing key challenges faced by Ministries of Finance to increase efficiency in Infrastructure Governance. It drew from the experiences of Ireland and Paraguay, as well as from PIMAs of network country members and the experience of IMF.

Agenda

The webinar program included the following speakers and presentations:

- **Carolina Renteria**, Head of the Public Financial Management Division of the IMF’s Fiscal Affairs Department (FAD): Welcome to members of the European Regional Network for Infrastructure Governance and introduction to the seminar.
- **Eduardo Aldunate**, FAD expert: presentation “Role of Ministries of Finance in Infrastructure Governance”.
- **Ed Hearne**, Head of the Investment Projects and Programmes Office, Department of Public Expenditure & Reform, Ireland, interview by Ms. Suzanne Flynn (IMF Regional PFM Adviser).
- **Facundo Salinas**, Head of the Public Investment Department of the Ministry of Finance of Paraguay: presentation about their experience in developing the National Investment System (SNIP).
- **Isabel Rial**, FAD presentation “Is it different for PPPs”.

Content

The webinar was attended by 45 participants from 12 countries in the region. Government officials from Albania, Bosnia and Herzegovina, Croatia, Estonia, Georgia, Ireland, Kosovo, Montenegro, North Macedonia, Serbia, Slovenia and Slovakia were present, as well as representatives from IMF’s area departments, European Union, JVI and SECO. Participants were mostly technical officials working in PIM and PPP units, budget departments dealing with PIM related issues, as well as macro fiscal units of ministries of finance.

Ms. Carolina Renteria delivered the introductory and welcome words.

Ms. Renteria started by greeting participants attending this webinar, which is the third meeting of the network after the initial one in November 2019 in Ljubljana. She remembered that in that first meeting the idea was to hold once a year an in-person meeting, which could not be done due to the pandemic. Webinars have been then the way of supporting exchanges among members and with IMF and other institutions. Ms. Renteria gave a special welcome to Croatia and Moldova for their first participation, as well as to Ed Hearn from Ireland, acknowledging his contributions to the network since the meeting in Ljubljana. Also welcomed was Mr. Facundo Salinas from Paraguay.

Ms. Renteria went on to recognize the impact that Covid 19 has had during the year, and that there are a lot of measures around the world to respond to the new challenges, focusing mainly on addressing the health crisis and providing a lifeline to households and businesses affected. But in the recovery phase infrastructure is expected to play key role for recovery, specially infrastructure that is more sustainable. Therefore, this a good time to strengthen systems to deliver better infrastructure given that pressures to increase public investment are on the rise, especially in sectors such as health, education and digitalization. Interest rates are low worldwide and the private sector is waiting to jump at opportunities to invest.

She mentioned that Chapter 2 of the October 2020 Fiscal Monitor, which was recently published, discusses how public investment can contribute to the recovery, create jobs, and strengthen resilience to future crises. In advanced and emerging economies increasing public investment by 1 percent of GDP could strengthen confidence in the recovery and boost GDP by 2.7 percent, private investment by 10 percent, and employment by 1.2 percent. But these results can only be achieved if existing public and private debt burdens do not weaken the response of the private sector to the stimulus, if investments are of high quality and if infrastructure governance is at the center of current policy priorities.

Ms. Renteria mentioned that the 63 PIMAs done by the IMF so far show that public investment management systems are extremely weak at appraising and selecting infrastructure projects. As a result, improving the governance of project appraisal and selection is crucial to help governments in the region to deliver high quality infrastructure in a sustainable and fiscally responsible way, which is why today, particular attention will be paid to the role of Ministries of Finances and the role of the sectors in project appraisal and selection.

Finally, she raised attention to the recently published IMF book “Well Spent: How Strong Infrastructure Governance Can End Waste in Public Investment”, which addresses how countries can design good infrastructure governance. All too often, public investment results in expensive and poor-quality infrastructure with limited benefits for people and the economy.

Ms. Renteria concluded by thanking all participants for their and inviting active participation.

The Role of Ministries of Finance in Infrastructure Governance

Mr. Eduardo Aldunate delivered the presentation “Role of Ministries of Finance in Infrastructure Governance”. He started by briefly mentioning the structure of the PIMA framework made up three groups of institutions: Planning, Allocation and Implementation,

comprising 15 institutions to which 3 crosscutting enabling factor must added. Also noted that for proper operations of the institutions different tools are needed, like instructions, guidelines, methodologies, and shadow prices.

He went on to look at who is usually in charge of the different institutions of the PIMA framework, either a Ministry of Finance (ex. Institution 1 Fiscal Targets and Rules), other ministries or agencies (ex. Institution 2 National and Sectoral Plans) or where responsibility is shared (ex. Institution 4 Project Appraisal). Based on this classification he presented graphs showing efficiency ratings from PIMAs of network country members for institutions that are usually under responsibility of Ministries of Finance and for those institution where responsibility is shared (see slides 4 and 5 of the attached presentation). He highlighted that institutions under responsibility of Ministries of Finance perform on average better than those where responsibility is shared. In network member countries for institutions where responsibility is shared the worse rated are Project Selection, which is also the worst rated worldwide, Project Appraisal and Portfolio Management and Oversight.

Based on the PIMAs, Mr. Aldunate presented the most common weaknesses in project appraisal identified in network member countries, which are: appraisal studies are not published or do not undergo independent external review, Insufficient skilled staff or resources, no standard methodologies and central support, no or limited risk assessment, not all projects are appraised and limited or unreliable data for appraisal. He indicated that for overcoming these weaknesses Ministries of Finance should: Publish a standard project appraisal methodology, define and publish shadow prices, establish a legal requirement and procedures for appraisal, reinforce its own capabilities in project appraisal, provide support on appraisal to budgeted organizations, create or strengthen PIMIS and use data to produce unitary costs and implement ex-post evaluations.

Similarly, the most common weaknesses identified for institution Project Selection are: The lack of a single and comprehensive pipeline of appraised projects, no central or limited oversight of major projects, no standard project selection procedures or criteria and no independent project review prior to inclusion in the budget. To overcome these weaknesses Mr. Aldunate suggested that Ministries of Finance should create and manage single pipeline of projects registered in a PIMIS, define and publish guidelines for project selection, train its staff in project selection and provide support to Budget Organizations (Bos) on selection, and develop a legal framework that limits project parachuting.

He concluded his presentation stressing that Ministries of Finance must play a leading role for improving Infrastructure Governance, prioritizing project appraisal, project selection and portfolio management and oversight. This work should be done together with BOs to create system-wide capacities. Also Ministries of Finance should create or improve PIM information systems and strive for an enabling supporting legal framework.

Ms. Jasna Tomašević from the Ministry of Finance of Serbia intervened to mention that they have recently created an Excel database registering all projects in preparation, implementation and in final phases, and consequently had a first pipeline. Mr. Aldunate commented that weaknesses presented are from PIMAs from 2017 until 2020, and therefore some of them may have been addressed already. Ms. Renteria mentioned that the purpose of the network was exactly that, namely sharing experiences between network member countries, even if it is work

in progress. Answering a question by Mr. Arturo Navarro, Ms. Tomašević went on to describe all the advantages of having said database for the Ministry of Finance as well as for policy makers.

Interview to Mr. Ed Hearne, Head of Ireland's Investment Projects and Programmes Office in the Department of Finance, Ireland

Ms. Isabel Rial introduced the next speaker, Ed Hearne, Head of Ireland's Investment Projects and Programmes Office in the Department of Finance by mentioning that a PIMA was done in 2017 in Ireland and that since that year the country has made substantial improvement in their IG framework. She also presented Ms. Suzanne Flynn who was to interview Mr. Hearne. The transcript of the interview is included in Appendix 1.

Public Investment Management experience: The case of Paraguay

Mr. Facundo Salinas presented the Paraguayan experience. He started by giving the audience a quick overview of Paraguay's geographical location and main characteristics, as well as of their economy. He went then on describing their National Investment System or SNIP (Spanish acronym for Sistema Nacional de Inversión Pública), which is a set of guidelines, procedures and tools to organize the public investment process. Its objective being optimizing the use of their limited investment resources by financing investment projects that are more profitable from a socioeconomic and environmental point of view. Specially because needs are much bigger than resources available.

Regarding the scope of the SNIP he indicated that it covers all public investment projects of the Central Government, including PPPs. Investment by local governments is not relevant, but even so there are initial experiences for extending coverage of the SNIP to municipal governments. He also presented a timeline of key developments in the legal framework supporting the operation of the SNIP, starting from Decree 8312 of 2012 which defined processes and inter institutional roles within the SNIP, until the recent publication in 2020 of Law 6490, the new Public Investment Law.

Mr. Salinas described problems in IG in Paraguay before the SNIP, which included cost overruns and delays. low implementation of public works and limited efficiency and effectiveness of public investment. Causes being the weakness of the strategic, legal and institutional framework, limited capacity to manage public investment projects at the Ministry of Finance, limited human capacity to formulate and appraise projects, and underutilization of the PPP scheme as a complement to the traditional financing and management modality.

He went on to acknowledge that money for investments is the property of the Paraguayan population, but that it is the responsibility of the Ministry of Finance to manage it efficiently, for which purpose project appraisal is key. Appraisals are prepared by the different agencies but are reviewed by the office he heads. The technical and economic advantages of the project are analyzed at this stage, and depending on the project it can be appraised using cost benefit or

cost efficiency if and valuing benefits is not possible. Mr. Salinas mentioned that demand studies are key for determining project benefits.

The seven stages of a project in the SNIP were presented by him, which are project idea, profile, pre-feasibility, feasibility, design, execution (implementation) and until project operation. Impact evaluation was mentioned as an additional stage which should be implemented, being limited by complexity and costs. Process for new projects presented by state agencies, mainly from the transport, energy and housing sectors, was described. It involves the Technical Planning Secretariat (STP), assessing alignment with the National Development Plan 2020-2030 and the Sustainable Development Goals. If the project has the initial approval of STP, it is then evaluated by the office Mr. Salinas heads at the Ministry of Finance using either a cost-benefit or cost-efficiency methodology. If the project is approved, the next step is inclusion in the public budget or searching for another financing source like a PPP.

Mr. Salinas described the main elements or components of the Paraguayan SNIP, which are:

- Methodologies for Project Formulation and Appraisal,
- The Project Bank (project pipeline database),
- The Investment Map (GIS with all projects),
- Training (in project formulation, appraisal and PPPs),
- Guidelines and Instructions, and
- The Pre-investment Fund (to provide financing for pre-investment studies or designs)

Graphs included in his presentation showed how public investment, which for the 2020 budget, which amounts to USD 1.94 billion, is distributed by sector and how it is financed from different sources, mainly from multilateral loans. Also, the Economic Recovery Plan 2020 was presented by Mr. Salinas, which includes USD 710 million of budgetary resources and USD 510 million in PPPs. Mention was made of the Economic Recovery Law (Law 6324/19) which regulates Turnkey and PPP projects.

He concluded by stating that Paraguay is one of the countries least affected by COVID 19 in Latin America and the Caribbean. According to the central Bank of Paraguay the economic downturn of 2020 (-3.5%) is expected to be reversed fast by a 5% increase in 2021.

Ms. Rial thanked Mr. Salinas for his presentation and mentioned that in her view something that may be of particularly interest for the region is the creation in Paraguay of the Pre-investment Fund to finance the feasibility studies of large investment projects. In PIMAs done many of the countries in the region said that the feasibility studies are very expensive for large infrastructure projects and sometimes they find it's difficult to fund them. And Paraguay has created this Preinvestment Fund that actually allows them to tap into these funds for feasibility studies under certain conditions.

Once the floor was opened for questions, **Mr. Arturo Navarro asked:** One limitation that we find across the world is the capacity to undertake project cost-benefit or cost-efficiency analysis. So, what was the key for Paraguay to be increase the capacity to do this cost benefit analysis?

Mr. Salinas: It is a big challenge to build that capacity. We have worked for about ten years to build that capacity, investing large amount in training. Ministry of Finance provides many courses in project formulation and appraisal. I think the key is that if the Ministry of Finance

wants to have best projects and make the best possible use of financing available, it must provide the service to achieve good projects. Providing training is therefore a main task of my office, which finally makes my job easier.

Is project appraisal and selection different in the case of PPPs?

Isabel Rial discussed this topic with the audience. She started by raising the issue whether project appraisal and selection is different for PPP's compared to traditional procurement, considering that PPPs have imposed a series of new challenges from the point of view of public investment management and infrastructure governance in general. The first challenge is that many of these projects are born as PPPs generating this systematic bias in favor of them which is difficult to fight with. The second challenge that PPPs generate for public investment management is the incentive of the private sector to identify projects that might not have been identified as priorities by the government, which we call unsolicited proposals. Another big issue about PPPs is that they are typically outside the single project pipeline. They come into a completely different process and completely unrelated to the budget process based on the idea that they don't have short-term cash implications.

Another big challenge is just because they do not have typically short-term cash applications, and therefore the role of the Ministry of Finance is quite limited. This idea of infrastructure for free makes it quite appealing and dilutes in a way the perception of the role of the Ministry of Finance in ensuring fiscal affordability.

Another big issue in terms of PPP's is that they are quite complex projects, they are long term and require specific technical skills that, in many cases, are not available either in procuring agencies or at the Ministry of Finance.

From a project appraisal perspective, appraisal of a PPP will have to look into this main five criteria that will go from feasibility and an economic viability, meaning if it makes sense to do the project irrespective of how it is going to be financed. There is also the need to investigate commercial viability, namely if it is a good project in terms of attracting the private sector through the provision of robust and reasonable financial returns. Of course, value for money needs also to be checked, that is whether a PPP is the most cost-effective way to achieve the objectives of the government. Then there is the fiscal affordability, that is, to what extent the government has the capacity to pay the operation or whether the private sector has the capacity to pay the fees. Finally, the capacity of the line ministries or the procurement agencies to manage these projects must be assessed. These criteria are normally used at two stages, at the concept stage but also during feasibility and project selection.

The natural role of the Minister of Finance will be of course to analyze fiscal affordability. However, we do think that the role of the Ministry of Finance in looking and checking all these five criteria is much larger. It too should have a say or an opinion about the commercial viability and value for money. But for assuming those tasks it will need to have the necessary internal capacity which maybe a challenge. And we have seen in the PIMAs that in the region that is something that comes out as one of the weaknesses in many countries,

Ms. Rial also mentioned that based on the information of the PPI database, in medium and low income countries around 10 to 30% of the total PPP's are unsolicited which is a huge amount

and actually pins down to the need to strengthen infrastructure governance in this area. Many countries in the region and around the world look at unsolicited proposals as opportunities for government. But experience has shown that unsolicited proposals can represent significant challenges for infrastructure governance by diverting public resources away from strategic plans and by not being able to attract competition and leading to opportunities of corruption. But being realistic many countries will still consider unsolicited proposals so the key issue is what can a Ministry of Finance do to actually minimize these risks.

The key issue is to develop a policy for unsolicited PPP proposals, which needs to be transparent and incorporate the proposals into existing regulations. A first key aspect the policy should address is if unsolicited proposals will be accepted at all or not. Another aspect to define is if proposals will be unrestricted or will be accepted only in specific sectors. Also it must be defined if the policy is going to be incorporated into existing regulations, which is something definitely recommended, and to what extent it will be allowed that the proponent of the unsolicited proposal develops the project. Also, consideration should be given as to how competition can be enhanced, which is a very difficult thing to do, achieved in very few cases. Finally, Ms. Rial asserted that the key issue here is that if decide to go ahead with unsolicited proposal, it has to be a clear policy, transparent, introduced into existing regulations and with very specific procedures to be followed.

Once the floor was opened for participants, Ms. Rovena Beqiraj head of ATRAKO in Albania intervened to share their experience with unsolicited proposals

She indicated that Albania has a long experience with unsolicited proposals because they have 16 years of experience with concession and PPPs and from the beginning the framework allowed unsolicited proposals. Previously the private sector was used to identify projects and to prepare feasibility studies of projects. The government benefited from the private sector because there was limited technical capacity in the public administration to develop feasibility studies for complex infrastructure projects. The know how and expertise from the private sector was very helpful at the beginning and government thought that it would be helpful for Albania, they saw only the benefits of the unsolicited proposals. But during the years they faced challenges like those mentioned by Ms. Rial. First one being that sometimes unsolicited proposals diverted attention from the planning process of infrastructure projects as a whole. Another problem was lack of transparency and competition during the tender procedure.

Therefore, in all these years Albania made different amendments of the PPP law, some of them to solve these problems, the last one in September of 2019. Actually, unsolicited proposals are accepted but only for limited sectors and areas. These include airports, ports and energy. Also, the way in which the proponent is benefited has been changed. Previously some bonus points were given to the proponent of the unsolicited proposal which resulted in very limited competition with only one or two bidders. This scheme was abolished and now in case the proponent of the unsolicited proposal is not the winner during the tender procedure, he has the right to receive a compensation for the cost that he that he has incurred preparing the feasibility study.

Transparency was also increased, not only during procurement, but also during the selection procedure, contracting and monitoring and implementation of the contract. The role of the

Ministry of Finance was reinforced, not only in the preparation stage as it was previously, but also during the contract stage and monitoring of the implementation of the contract.

For the selection a new Selection Committee was introduced in the legislation in 2019. The technical assistance for developing feasibility studies for large infrastructure projects was centralized, and the Selection Committee decides which project studies are going to supported.

So, these are some of the measures undertaken during the last months to better control unsolicited proposals. The fields and sectors where the private sector can submit unsolicited proposals were reduced. Also unsolicited proposals are scrutinized to ascertain if they are inside of strategy documents or if they match with the public interest. The Ministry of Finance has now a much more active role during the first stages of study gives opinion according to the fiscal impact and budget impact of the project

At the request of Ms. Rial, Ms. Gorana Roje, Head of Unit at the Ministry of Planning, Construction and State Assets of Georgia shared the experience of the Ministry in project appraisal and selection.

Ms. Roje mentioned she has been involved adjusting the National Development Strategy, which is an ongoing process. Now all projects need to be aligned with short term and long-term strategic documents. Also, the National Strategy has to be aligned with all sectoral and multisectoral strategies as well as the National Reform Program and the three-year strategic plans.

Going forward

The webinar was closed, with a short intervention by Ms. Rial regarding information that is going to be shared among network members and follow-up actions.

Appendix 1

Interview to Mr. Ed Hearne, Head of Investment Projects and Programmes Office, Department of Public Expenditure & Reform

Ms. Isabel Rial introduced the next speaker, Ed Hearne, Head of Ireland's Investment Projects and Programmes Office in the Department of Finance by mentioning that a PIMA was done in 2017 in Ireland and that since that year the country has made substantial improvement in their IG framework. She also presented Ms. Suzanne Flynn who was to interview Mr. Hearne.

Ms. Suzanne Flynn's interview of Mr. Ed Hearne. Ms. Flynn began by mentioning that Ireland's [PIMA](#) found that Ireland's public investment management performance is stronger than world averages, but lower than the average for G20 countries. In common with other countries in the region, Ireland's project appraisal and selection procedures were assessed in 2017 and deemed to require improvement in some areas. The interview went as follows:

Ms. Flynn: Project appraisal and selection were areas where Ireland was deemed to need improvements. What has Ireland done so far from your department's perspective to improve project appraisal and selection?

Mr. Hearne: In 2017 Ireland requested a PIMA seeking to improve public capital investment efficiency to bridge gaps due to the economic downturn. PIMA was exceptionally fruitful for our work programme and its recommendations set the agenda of the National Investment Office for the next years. Regarding project appraisal and selection, most significant achievement has been the introduction of a new [Public Spending Code](#). Ireland had previously had good experience in economical appraisal of projects, but pre-investment studies were somehow out of touch with the realities of project delivery. So, studies were improved with better treatment of risk, steps to ensure policy consistency and quality of projects, much more sober estimation of cost, analysis of project affordability and fiscal impact. Another finding of the PIMA was that the quality of projects entering the pipeline was not satisfactory and that there was also quite a proliferation of projects. To address these issues much earlier scrutiny of projects at the concept stage was introduced - requiring projects to be aligned with the national spatial planning policy or climate policy. Focus on alignment and quality has been very important as well as better estimates of project risks and costing by harnessing data from previous projects and introducing reference class forecasting for transport projects, which is being extended to sectors such as education and water services projects.

Ms. Flynn: More generally, what have you done to enhance the central role of the Ministry of Finance in the process?

Mr. Hearne: There have been two groups of changes. New procedures and new structures. There are seven stage gates from project conception to post-project review, with a much more explicit role for our Department at each stage, either as reviewer of project appraisals or by commissioning independent external quality assurance of the reviews. We had traditionally very

good economic appraisal but sometimes the economics of a project can be a little bit removed from the actual reality. We brought a lot more focus on affordability and ensuring that the pipeline that any Department is working on at any moment in time is entirely consistent with their overall fiscal ceiling.

Regarding new structures, one of the PIMA findings was that some kind of central office, a central project management unit, was essential for public investment management in Ireland. So in 2018, we announced the creation of the unit that I head, the Investment Projects and Programmes Office. We also set up a new Project Delivery Board where we assembled a group of permanent secretaries of each of the twelve relevant government departments. This very high-level board is tasked with not only ensuring progress under the plan but also that everything in terms of affordability and sustainability is assessed. They meet about every six weeks and it really drives the agenda. I am secretary to that group and there is another group of senior civil servants that sits beneath it, making sure that the decisions taken at the higher level are actually implemented. [Project Ireland 2040](#) is the new spatial and investment planning framework and senior civil servants from across the sectors and a number of agencies, help to ensure follow through from the overall decision making right through to action on the ground.

Ms. Flynn: And what results have you seen so far of all this work?

Mr. Hearne: Certainly I can attest we still have a very strong role in reviewing these appraisals so I have seen with my own eyes the improvement in the quality of the project appraisals that are coming through as well as the better deliberation that's happening in terms of project selection. We review everything that has a cost over €100 million and there are separate structures that review every project over €20 million and certainly the quality of those appraisals has improved.

I think that is also the fringe of how we actually went about revising the Public Spending Code. Previously when we made changes to arrangements, we did it in a very kind of old school finance ministry: tell them the rules. What we did this time when reviewing the Public Spending Code was to introduce a much more detailed and involved process of consultation. We brought all of the departments along with us, providing them with a number of opportunities to provide written feedback into the process. We had workshops and seminars and this allowed us all to compromise on some of the core elements, but also it allowed us to tailor the approach and to make sure that what we were indicating to the sector was consistent with what was happening on the ground. So, I think that has really been a useful process.

Ms. Flynn: I think that is some good advice for other countries for the region. One of the areas that was under development when the PIMA was taken place was the 'capital tracker'. And that is of interest to the region because it can provide a medium-term profile of projects within the medium-term expenditure framework or budget program. It could also help avoid the so-called "parachuting" of unaffordable projects into the pipeline and a medium-term view of what's happening with expenditure ceilings. Could you tell us a bit more about that system that may be of interest for countries in the region like Albania, Serbia and Kosovo that have been working on systems?

Mr. Hearne: One of the other findings of the PIMA was that the role of the center could be characterized as "eyes on hands off". We were very involved in setting the sector fiscal envelopes and very involved in rules and procedures, but then we didn't really get involved in monitoring projects and we weren't as close to the project lifecycle post-appraisal. That has very much change since the PIMA as you mentioned. From having pretty much no central database

of the pipeline of projects that had been prioritized we have very steadily improved. It started its life just as a list of projects effectively published on our website. But after three or four iterations that happened about every six months, we now have a much more detailed database [detailed database](#) of the top 200 projects in the country. We have an interactive map where the public can go in, type in a location and it shows the projects that are planned or in development, and anyone can access the document that accompanies the projects.

So, from our perspective we see it really is having three main purposes. First, it provides that kind of portfolio view of where the national investment strategy is at present and it's very much an important ingredient to budget delivery board in terms of affordability of the program, but also to make sure that the project is progressing allow monitoring. Second, it provides the construction industry with a lot more detail about what's happening in the medium and long term. This is really important because I would say our top constraint before the Covid-19 pandemic in achieving national infrastructure objectives was capacity in the construction sector. In common with many countries, the industry was decimated during the financial crisis and hasn't yet built up to the necessary level. So, we can provide the industry with a more certain view of what's coming in medium term. Then they can go and invest and hire staff to be able to deliver. Finally, the purpose of this Capital Tracker database is to provide citizens with important public information about what's happening in their area. But it is still very much a work in progress, and we have come a long way but we are clear that we have a lot more to do. We want to make a distinction between the pool of potential projects and the pipeline of appraised projects that have come through some of the earlier stage gates. That is something we're working on now.

The granularity of project information I think is going to be important and try to understand, and how we portfolio manage overall national investment strategy. I think the tracker will be very important in that regard. Regarding the point that you made of projects parachuted in, I guess what we would find is that certain sectors are really good at portfolio managing their investments. So I can't imagine a situation ever where the Department of Transport will come to us and say Oh! We have overshot on this road program and this road project and we need extra resources. What would happen is that they would portfolio manage that within their own allocation. They are trying to test similar routine for water projects and for many projects in the education sector. The real risk is where there are one-of-a-kind projects, such as our national Children's Hospital, a very specialized massive project that dominates the rest of the healthcare capital program. We also see it could potentially happen with metro projects and similar ones. So, the real risk I think is where there are big one-of-a-kind projects pursued by departments that haven't kind of track record required or do not have the same delivery capacity as others. I think that is where we are going to do a lot more scrutiny in the future or introducing a much more sophisticated external review process similar to Norway. I think that would really help us to bring an external review and an external independent critique to some of those big fiscal risks.

Ms. Flynn: One final question. Since many of the members here deal with Public-Private Partnerships (PPPs), I am wondering what Ireland has done to make sure only the best, most appropriate, least risky and best value projects for the Irish people are delivered.

Mr. Hearne: First I must declare that I am something of a PPP sceptic. So that is my potential conflict of interest. We made a policy decision about two years ago, similar to the UK, that PPPs were going to play less of a role in financing infrastructure into the medium term compared to what they have played so far. I guess PPPs were convenient for us during the years of scarcity, when public finances were not as healthy as until recently. PPPs played an

important role in delivering critical projects in a kind of fiscally sustainable way. In 2018 we did an expert review, which probably I should share with the group. One of the things we found is that PPPs really need to have the same arrangements for appraisal. On paper they did, but what we found out there was somewhat of a bias towards keeping a project as a PPP. If it was going to be tested as to whether it should a PPP, it rarely failed the assessment. So, we needed to do more to make that a little bit more independent. A big change that we did make was to require that new PPPs should be scored against a departments budget, exactly as if they were going to be procured traditionally. This is designed to remove any incentive for pursuing a PPP for kind of cash flow reasons. We are still trying to operationalize that, given we have not had any new PPPs since then. We are trying to iron out issues in how we actually implement that policy change. But that is very much the spirit of what we have been doing. It is also because we were planning on such a substantial expansion in the exchequer capital, we did not want to do anything like that was kind of the limits of national ambition. We did not want to do anything more in the perspective of additionality because that would put further pressure on the construction industry and the construction sector inflation that we have seen lately could just become very random altogether. Finally, I would say something somewhat more anecdotal, but I think that the focus on PPPs can be sometimes a bit of a risk of a systemic bias towards PPPs. There are a lot of the players in this market, big industry, finance providers, financial advisors, the lawyers who draw up very complex contracts, and these people are out there producing thought leadership and advising governments and so forth. So I think there's a risk there that there could be something of a bias towards PPPs or maybe the evidence isn't yet there to support that. Certainly, to summarize into the future, we are still be very much involved in that we need to have the same arrangements for appraisal and project selection, there will be some PPPs, but certainly not to the level we saw during the financial crises.

Ms. Flynn: Thanks Ed! Any questions from the floor?

Mr. Florian Hauser (European Commission): We where we're talking about the capacity of Ireland to manage investments in a different context you told me that one concern you had was that the quality of human resources, or getting the right people for the right post, especially on local level getting sufficient municipal engineers. I think the context having the public sector being attractive employer compared with the private sector, and you were going to look into this. Do you have any progress there?

Mr. Hearne: We applied for support under technical assistance from the European Commission to look at that very question that Florian mentioned of the capacity of various institutions to actually deliver the scale of the uplifted public investments. One of the issues that we were very concerned about is that certain sectors are really good at this now, for instance transport delivery agencies and water companies. They have a very well-established track record in delivering large complex projects whereas certain other sectors don't have that. So, for instance, Project Ireland 2040 envisages a major uplift in investment in our cultural institutions, in our libraries and our opera houses and theaters, as well as a major uplifting in housing where we did not do enough over the last number of years. We commissioned consultants with the support of the Commission to do a very wide-ranging look at what the capacity is. From the early findings they made some good recommendations about how we might address that. So, I think for smaller bodies, more fragmented bodies, we are a small country but we've got 31 local authorities, there is a lot of scope for pooling of resources. So you're not going to have a specialist quantity surveying team in every agency in every County but maybe there could be

shared resources that might develop into centers of expertise. That's probably the top recommendation. They also made some proposals for how we change governance. We have good quality human capital across the system now in areas like economic appraisal and financial appraisal, but my job is to ensure we have the right human capacity across the full expanse of the project pipeline, right through from conception to post project review, definitely the study has been an important ingredient in that.