TECHNICAL ASSISTANCE REPORT

ARAB REPUBLIC OF EGYPT

Public Investment Management Assessment

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PREPARED BY

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Acronyms and Abbreviations

ACDU ..... Administrative Capital Company for Urban Development
AESDP ... Annual Economic and Social Development Plan
ASA .... Accountability State Authority
C-PIMA... Climate-PIMA
EA........... Economic authorities
EAS .... Egyptian Accounting Standards
EEHC ..... Egyptian Electricity Holding Company
EGP........ Egyptian Pounds
EGPC ..... Egyptian General Petroleum Corporation
EETC...... Egyptian Electricity Transmission Co.
FAD .... Fiscal Affairs Department
FY........... Fiscal year
GFMIS.... Government Financial Management Information System
e-GP .... Electronic government procurement system
IMF .... International Monetary Fund
ISIPPM ... Integrated System for Investment Plan Preparation and Monitoring
IT .... Information technology
KPI.......... Key Performance Indicator
LEG .... Legal Department
LPC .... Local Popular Councils
MFPU ..... Macro-Fiscal Policy Unit
MoF .... Ministry of Finance
MPED..... Ministry of Planning and Economic Development
MSDS..... Medium-Term Sustainable Development Strategy
MTFF ..... Medium-Term Fiscal Framework
NCPSLU National Centre for Planning State Land Uses
NIB .... National Investment Bank
NREA ..... New and Renewable Energy Authority
NUCA..... New Urban Communities Authority
PBS........ Public Business Sector
PBSCs ... Public Business Sector Companies
PC .... Public corporations
PFM .... Public financial management
PIM......... Public investment manage
PIMA ...... Public Investment Management Assessment
PPP........ Public-private partnerships
SDS........ Sustainable Development Strategy
SGC ...... Sovereign Guarantee Committee
SNG .... Sub-national governments
SOE .... State owned enterprises
SRO .... Senior Responsible Owner
TSA .... Treasury Single Account
UHIS ...... Universal Health Insurance Scheme
WEO ...... World Economic Outlook

Preface

In response to a request of the Ministry of Finance (MoF) and the Ministry of Planning and Economic Development (MPED), a team from the IMF's Fiscal Affairs Department (FAD) and Legal Department (LEG) undertook a Public Investment Management Assessment (PIMA) and a Climate PIMA (C-PIMA) during September 27 to November 10, 2022. The mission team was led by Eivind Tandberg and comprised Cristian Alonso (remotely), Jacques Charaoui, and Tjeerd Tim (all FAD), Mia Pineda (LEG), Katja Funke, and Ed Hearne (both FAD experts). Nataliya Biletska, Hosam Hasan, Mohamed El Hafedh Hendah, Mohamed Yehia Abd El Karim, Sara Alnashar, and Nazaneen Ismail Ali (all World Bank), and Yosra Bedair and Dina Mohamed Eldemerdash Elkhishin (World Bank consultants) also contributed to the assessment.

The team was received by Mr. Ahmed Kamaly, Deputy Minister for Planning Affairs, MPED, and Mr. Ahmed Kouchouk, Vice-Minister for Fiscal Policies, MoF who provided advice and orientations ahead of the assessment. At the end of the mission, the team presented them and Dr. Mohamed Maait, Minister of Finance its preliminary conclusions and sent them a copy of the draft mission report.

The mission met with the departments and services involved in public investment within the MoF and MPED. In particular, within MoF the mission held meetings with the Macro-Fiscal Policy Unit (MFPU), the General Budget Department, the Economic Authorities and Units Budget Department, the Financing Department, the Debt Management Unit, the Accounts and Financial Directorates Department, the Final Accounts Department, and the PPP Central Unit. Within the MPED, the mission met with Mr. Gameel Helmy, Minister Assistant for monitoring affairs; the Planning Affairs Feasibility Studies; the Regional Planning Department; the Plan Preparation and Monitoring Department; and the PPPs Unit.

The mission also met with senior representatives from the Ministry of Agriculture; the Ministry of Environment; the Ministry of International Cooperation; the Ministry of Transport; the Ministry of Housing, Utilities and Urban Communities; the Ministry of Health; the Ministry of Education; the Ministry of Petroleum and Mineral Resources; the Egyptian Natural Gas Holding Company; the Accountability State Authority (ASA); the National Investment Bank (NIB); the New Urban Communities Authority (NUCA); the National Telecom Regulatory Authority; the Egyptian Water and Wastewater Regulatory Agency, the Egyptian Electricity Utility and Consumer Protection Agency the Gas Regulatory Authority the National Centre for Planning State Land Uses (NCPSLU) the General Authority for Government Services, Cairo Governorate; and Ismailia Governorate. The team also met with local technical and financial partners at the end of the mission to discuss the assessment and identify future avenues for cooperation.

The mission team would like to thank the Egyptian authorities for their cooperation and participation in constructive discussions on all topics raised during the mission. The mission would especially like to thank staff from the MPED, in particular Mr. Ismail Yousef; and from the MoF, Mr. Alaa Abdel Rahman for their excellent support in organizing the mission, setting up meetings and providing documentation.

The team would also like to extend its thanks to Mr. Said Bakhache, Senior Resident Representative of the IMF in Egypt, and Mr. Karim Badr, local economist, for the outstanding and reliable support they provided to the team during the remote mission. Finally, the team would like to thank the team of interpreters for their extensive linguistic support during the mission.

Executive Summary

The recent pick-up in public investment in Egypt is reversing a long-term decline. Further growth is expected as the authorities continue the construction of the new administrative capital and other new cities, the development of health infrastructure supporting the universal health insurance scheme, and the Hayah Karima initiative to provide infrastructure in rural areas. Egypt's investment needs are compounded by rapid population growth, with 20 million people added during 2011–2020 and another 20 million expected during 2021–30. In addition, climate change will require sustained public investment both to mitigate its impacts and to adapt the infrastructure to new challenges.

While investment needs are substantial, fiscal space to finance them is limited. General government debt reached 89.2 percent of GDP in FY 2021/22. In addition, guarantees for loans to public corporations amounted to 21 percent of GDP as of January 2022.The efficiency of public investment in Egypt is lower than the potential. In 2019, the efficiency gap for physical infrastructure was 39 percent, and the efficiency gap for quality of infrastructure was 28 percent. Improvements in public investment management will be important to close the efficiency gaps and enhance the productivity of future public investments.

This public investment management assessment (PIMA) shows that the design of public investment management institutions is stronger than or on par with peers in a few areas, in particular national planning, procurement and portfolio monitoring, but it is somewhat weaker than the average of the peer groups in the other PIMA institutions (Figure A). When considering the effectiveness of the public investment framework, Egypt is stronger than or on par with comparators for national planning and inter-governmental coordination, and weaker on the other institutions (Figure B).

There are significant weaknesses in project appraisal and selection processes, due to the lack of structured methodologies, and no evidence that projects are appraised and selected in a consistent manner. There are also important obstacles to private sector involvement in infrastructure markets, which are dominated by public providers and lack independent regulators. There are no medium-term projections or budget allocations for capital spending and changes in total project costs are not identified and explained in budget documents. Funding of maintenance is not based on standardized methodologies and asset registers are neither comprehensive nor regularly updated. There is no regulatory framework to ensure that investment projects are implemented and managed in an effective manner, and the electronic procurement system is still under development. Table 1 provides a heat map with summary explanations of the assessments of the different PIMA institutions.

Egypt's Government has already taken several steps to improve the quality of public investment management, including through new legislation, new information systems and significant efforts to enhance staff capacities. This report provides five main recommendations for how these reform steps can be strengthened, sustained and further extended. The recommendations are summarized in Table 2, and the specific activities and timetables are further developed in the action plan in Appendix 1. Improvements in the general public investment management framework will also have significant positive impacts on climate-sensitive public investment, which is discussed in a separate report.

This PIMA was undertaken jointly with a Climate PIMA, which covers many of the same public investment management institutions, from the perspective of climate-sensitivity and climate resilience. The Climate PIMA is discussed in a separate report.

Figure A. Institutional Design Compared to Other Countries

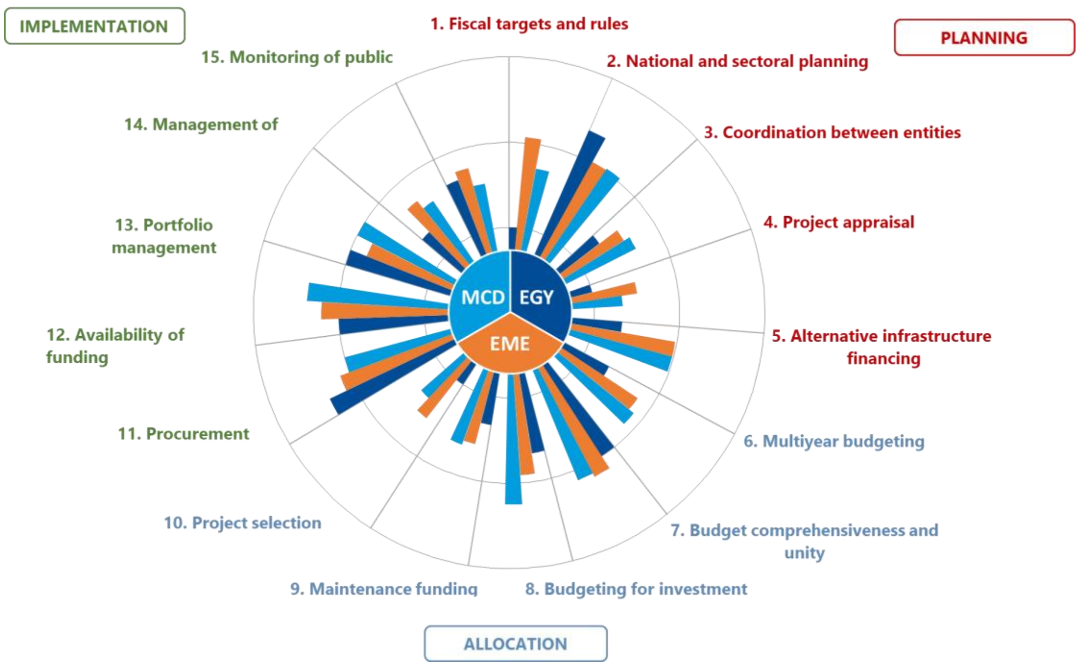


Figure B. Effectiveness Compared to Other Countries

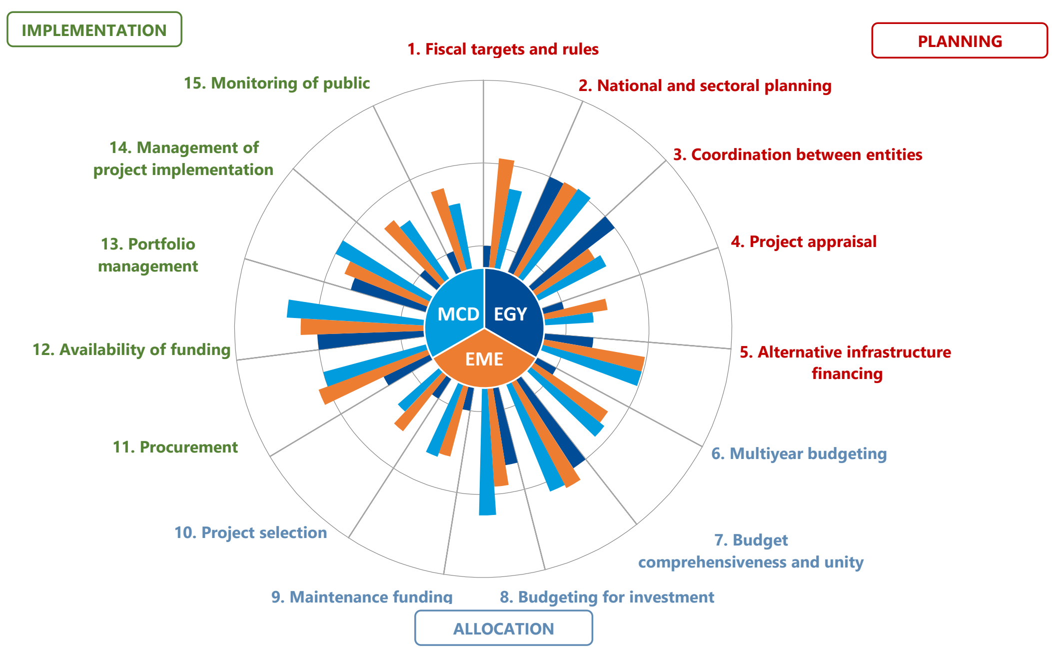


Table 1. Egypt: Summary Assessment

Phase/Institution			Institutional Strength	Effectiveness	Reform priority
A. Planning	1	Fiscal targets and rules	LOW. There are no formal fiscal institutions ensuring debt sustainability and medium-term investment plans.	LOW. While there is an informal target on primary balance, it does not ensure debt sustainability.	Medium
	2	National and sectoral planning	MEDIUM. The development plans are published, provide total cost information and output performance indicators for selected investment projects.	MEDIUM. Public investment planning has comprehensive coverage, but the limited availability and use of performance and cost information constrain its effectiveness .	Low
	3	Coordination between entities	LOW. No requirement for systematic coordination of spending plans or reporting of contingent liabilities, and a rules-based system for capital transfers to LGs is to be developed.	MEDIUM. Major investments are implemented by CG, LGs can only implement projects approved by CG, and contingent liabilities are reported on aggregate level in financial statements.	Low
	4	Project appraisal	LOW. 2022 planning law requires that entities prepare project appraisal documents but there is no standardized methodology for this.	LOW. There is no evidence of systemative and consistent project appraisal, nor of standardized methodologies for appraisal and risk analysis.	High
	5	Alternative infrastructure financing	LOW. Competitive market strucures are yet to be introduced in key infrastructure markets, and regulators are strongly linked to policy ministries	LOW. SOEs play a dominant role in key infrastructure markets, while PPPs have not been used widely for infrastructure financing	High
B. Allocation	6	Multi-year budgeting	LOW. There are no medium-term projections or ceilings of capital spending by ministry or sector.	LOW. Medium-term projections of capital spending are missing and changes in total construction costs are not identified and explained.	High
	7	Budget comprehensive-ness and unity	MEDIUM. EBEs can undertake substantial investment, but the Economic and Social Development Plan is approved by parliament and includes projects irrespective of financing.	MEDIUM. Most investment is authorised by parliament but budgetary documentation does not contain uniform or detailed project information.	Medium
	8	Budgeting for investment	MEDIUM. While appropriations to the investment budget are protected during execution, there are no requirements for providing information on the overall funding needs nor to prioritize ongoing projects	MEDIUM. Information on total and outstanding funding needs for projects is not consistently avaiable..	Medium
	9	Maintenance funding	LOW. No standard methodology. Spending on routine maintenance appears in budgets and reporting.	LOW. Expenditures for routine maintenance can be systematically identified in the budget, major improvements are identified but not included in the budget.	High
	10	Project selection	LOW. There are no institutional arrangements for the review of project appraisals, the creation of a project pipeline, or the selection of projects according to defined criteria.	LOW. Projects are largely selected in an ad-hoc manner during the budget prparation process.t.	High
C. Implementation	11	Procurement	MEDIUM. Egypt is working to align its procurement practices with international standards, including a public procurement portal, and there is an independent complaint function.	LOW. There are no systematic data on procurement activities, but the procurement complaints office is effective.	Medium
	12	Availability of funding	MEDIUM. Budget execution and cash management arrangements are designed to facilitate the availability of funding for capital spending.	MEDIUM. Spending agencies plan and commit expenditure in accordance with their cash plans, but there are some cases where commitments exceeded cash availability due to exchage rate	Medium
	13	Portfolio management and oversight	MEDIUM. There are arrangements for monitoring major projects during execution, a clear framework for reallocation between projects but no requirements for ex-post review.	MEDIUM. Monitoring is concentrated on individual projects and does not consider overall trends in the portfolio. Ex-post reviews are undertaken in some cases.	Medium
	14	Management of project implementatio n	LOW. There are no central requirements for project management or project adjustment and there is no provision for publication of ex-post audits.	LOW. Limited evidence of implementation arrangements prior to approval, adjustment proposals are not documented, audits are not published.	High
	15	Monitoring of public assets	MEDIUM. Some formal requirements are in place but these lack guidance to ensure comprehensiveness and regular updating, and to capture depreciation.	LOW. Nonfinancial assets' value in asset registers are not updated regularly. Depreciation is not recorded in the operating statements.	Medium

Table 2. Egypt: Summary Recommendations

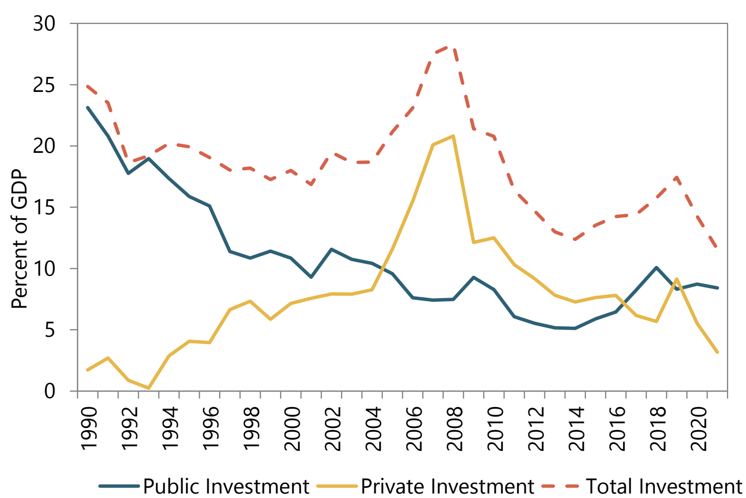
Recommendations	Priority	Responsible
1: Strengthen project appraisal and selection processes: • Issue regulation to set the requirements for appraisal, planning and implementation at each stage of public investment projects (2023). • Publish project appraisal methodology, including risk analysis (2024 – 25). • Establish procedure for project appraisal review and assurance as part of approval process (2024 - 25). • Define clear and transparent criteria and process for project selection (2024).	High	MPED. MoF, line Ministries
2: Enable private sector involvement in public infrastructure provision: • Further deregulate markets, with fully independent regulators (2023 -). • Ensure that all PPPs are consistently integrated with the budget and their fiscal implications reflected in headline fiscal indicators (2024).	High	MPBS, MPED
3: Operationalize PFM law provisions for medium-term budgeting: • Publish medium-term capital budget and annual public sector investment plan with detail on project costs, funding and responsible delivery agency (2024). • Formalize mechanisms for distribution of resources to sub-national government entities (2023). • Work with spending entities to improve accuracy of cash needs forecasting (2023 – 25).	High	MPED, MoF
4: Strengthen asset management and ensure sufficient maintenance: • Consolidate asset registers for government entities (2024). • Establish standardized methodologies for assessment of maintenance needs and funding (2023). • Provide transparent reporting on maintenance spending in budgets and accounts (2023).	High	MoF
5: Strengthen procurement, project and portfolio management: • Develop an electronic government procurement system (2024). • Establish a standardized project management model for government investment projects (2023). • Use the ISIPPM to track key developments in cost, schedule and benefits and identify risks and opportunities across the portfolio (2023 – 25). • Undertake ex-post review of major projects as standard (2024 – 25). • Mandate ASA to undertake and publish audits of major investment projects (2023).	High	MPED, Line Ministries, ASA

Section I. Trends in Public Investment

A. TRENDS IN PUBLIC INVESTMENT AND CAPITAL STOCK

1. **The recent pick-up in public investment is partially reverting a long-term decline.** Total investment declined from roughly 25 percent of GDP in 1990 to 12 percent in 2014 (Figure 1). This decline was driven by public investment, which dropped steadily from over 20 percent of GDP in the early 1990s to around 5 percent of GDP in the mid-2010s. Private investment increased sharply between 1990 and 2008 as the economy became increasingly liberalized and was able to briefly compensate for the decline in public investment with total investment reaching a record high of 28 percent of GDP in 2008, thanks to strong foreign direct investment. Following the 2011 revolution, total investment dropped as both public and private investment waned. Public investment has expanded rapidly since the mid-2010s, increasing by 3 percentage points between 2014 and 2021. Private investment remained anemic and later declined substantially due to the COVID-19 pandemic. Further growth in public investment is expected as the authorities continue the construction of the new administrative capital and other new cities, the development of health infrastructure supporting the universal health insurance scheme, and the Hayah Karima initiative to provide infrastructure in rural areas. At the same time, the authorities' ambitious bid to attract foreign investment and reduce the state footprint in the economy are expected to revitalize private investment.

Figure 1. Egypt: Investment
(in percent of GDP)

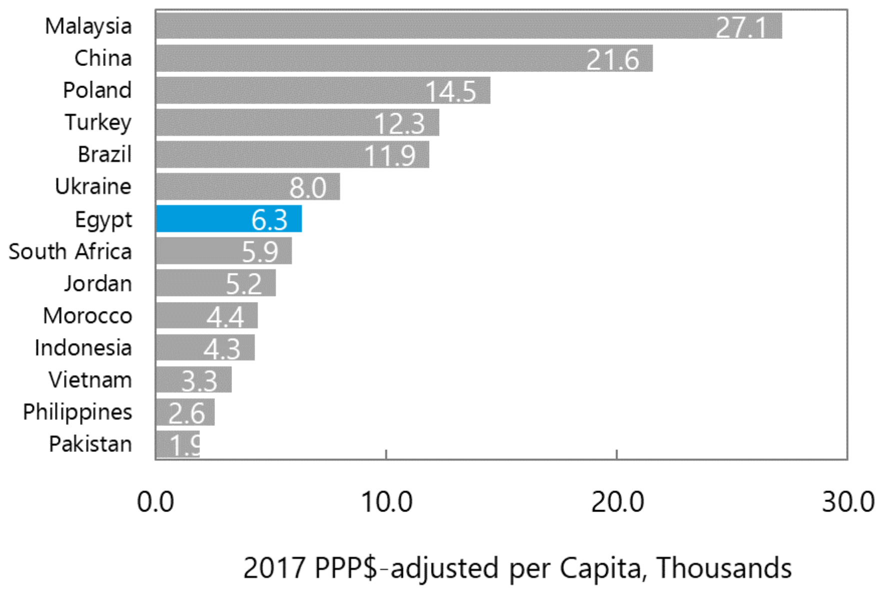


Source: WEO and staff estimates based on official data.
Note: Coverage of the public sector includes general government, economic authorities, public corporations, and central projects.

2. **Egypt has large investment needs, especially in a context of rapid population growth and climate change.** Compared to peers, Egypt's stock of public capital per capita is relatively low (Figure 2). While it is higher than other countries in the region (e.g., Jordan, Morocco, and Pakistan), it represents only half the stock of capital per capita available in other emerging markets, such as Poland, Turkey, and Brazil. Egypt's investment needs are compounded by rapid population growth, with 20 million people added during 2011–20 and another 20 million expected during 2021–2030. In addition, climate change will require sustained public investment both to mitigate its impacts and to adapt the infrastructure to new

challenges, including higher temperatures, desertification, threats to water security, and coastal degradation. Providing public services to this young, growing population and reaching the Sustainable Development Goals is projected to require additional annual public spending of around 5.4 percent of GDP by 2030.[1] For example, the authorities estimate that there is still a shortage of around 300,000 classrooms, although they built a record 21,000 classrooms in FY 2021/22.

Figure 2. Public Capital Stock per Capita: Comparison with Peers, 2019 (2017 PPP$-adjusted, thousands)



Source: WEO and staff estimates based on official data.
Note: Coverage of the public sector includes general government, economic authorities, public corporations, and central projects for Egypt.[2] Public sector is general government for peer countries.

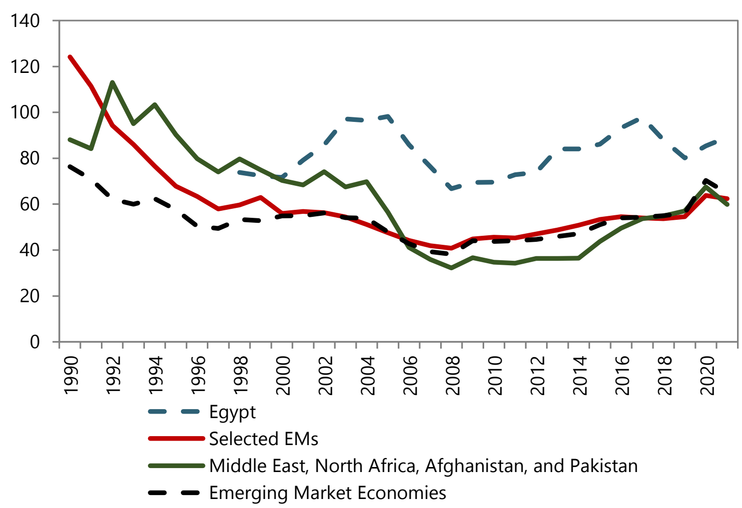
3. Egypt's limited fiscal space constrains investment and increases vulnerabilities. While investment needs are substantial, fiscal space to finance them is very limited. General government debt in Egypt increased sharply in the aftermath of the revolution, a period that also coincided with declining public investment, due to a worsening of the expenditure mix with costly energy subsidies and a high public wage bill (Figure 3). Prudent fiscal policy reversed the trend. Debt declined from a peak of almost 100 percentage points of GDP in FY 2016/17 to 80.1 by FY 2019/20. The COVID-19 pandemic and the Russian invasion of Ukraine have pushed debt upwards recently, reaching 89.2 percent of GDP in FY 2021/22, through lower revenues, higher expenditure, and below-the-line support. General government debt in Egypt is large by international standards. In FY 2021/22, it was 40 percent higher than in other emerging markets and 50 percent higher than in regional peers. The debt figures do not include guarantees for loans to public corporations, which amounted to 21 percent of GDP as of January

[1] See Alonso and Hanedar, 2021, Egypt: Selected Issues Paper: *Fiscal Policies to Reach the Sustainable Development Goals by 2030*.

[2] Economic authorities are public sector units created by individual laws to fulfil specific mandates. Some of them engage in economic activities as market producers according to the GFSM 2014 definition, whereas others do not. Central projects are defined in paragraph 6.

2022. Costly debt service results from this high level of debt. In FY 2021/22, the interest bill for the general government amounted to 7.2 percent of GDP, which diverts resources from more productive uses, and introduces a significant rigidity in the budget as it amounts to more than half of tax revenues. This vulnerability is further compounded by the very short maturity of public debt, which enhances the risk from reversals in investor sentiment. Acknowledging these challenges, the authorities have revised their Medium-Term Debt Strategy and have launched a Medium-Term Revenue Strategy, both aiming at creating fiscal space to foster provision of public services with a special focus on social sectors.

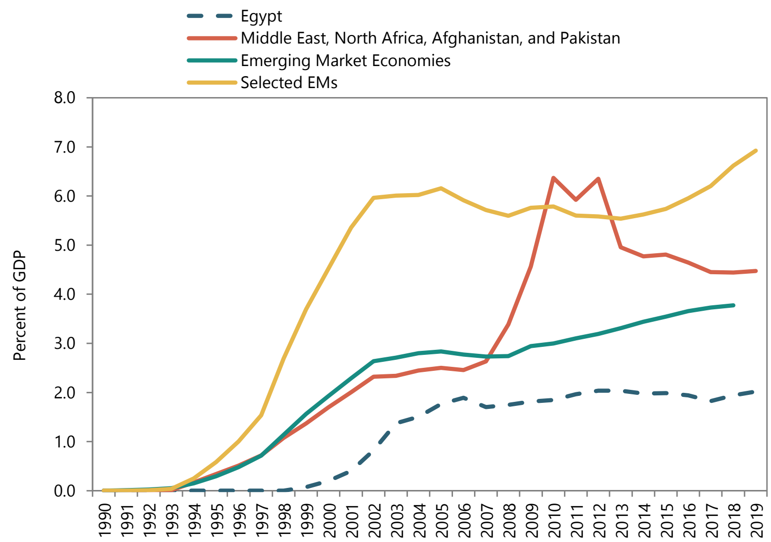
Figure 3. General Government Debt: Comparison with Peers
(in percent of GDP)



Source: WEO and staff estimates based on official data.
Note: Selected EMs include Brazil, South Africa, Turkey, Morocco, Jordan, Pakistan, Ukraine, Poland, Vietnam, Indonesia, Malaysia, and the Philippines.

4. The use of Public-Private Partnerships (PPPs) to develop infrastructure have been limited so far. At around 2 percent of GDP in average over the last 15 years, the PPP capital stock is low compared to other countries in the region and other emerging markets (Figure 4). Most of the existing PPPs have been developed in the electricity, ports, and airports sectors. New projects are being developed in education, desalination and water treatment plants, and silos. Acknowledging the potential of PPPs but also the associated fiscal risks, the authorities are revamping the legal framework aiming at promoting the use of PPPs in a prudent way. Public corporations and economic authorities have also partnered with private sector investors through joint ventures. For instance, the Sovereign Fund of Egypt and three public financial institutions have launched the Lighthouse Education platform that aims to invest in 10−12 schools to be managed by a private sector company. The state-owned El Nasr Automotive Manufacturing Company is partnering with a Chinese company to produce electric cars in Egypt.

Figure 4. Public-Private Partnerships Capital Stock: Comparison with Peers
(in percent of GDP)



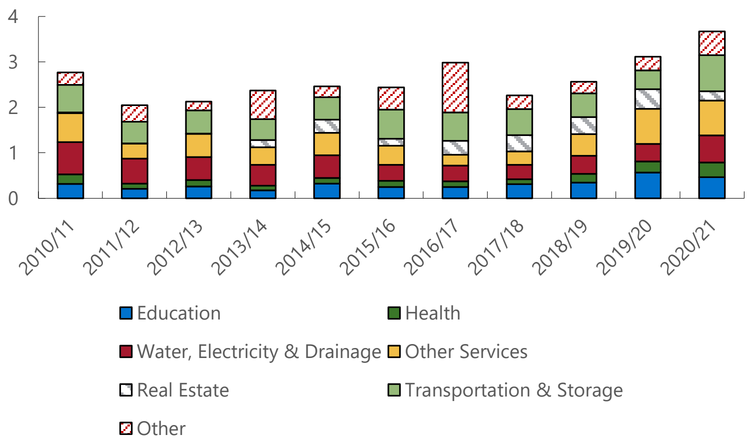
Source: WEO and staff estimates based on official data.
Note: Selected EMs include Brazil, South Africa, Turkey, Morocco, Jordan, Pakistan, Ukraine, Poland, Vietnam, Indonesia, Malaysia, and the Philippines.

B. COMPOSITION OF PUBLIC INVESTMENT

5. **General government investment in real estate and transportation has risen in the last decade** (Figure 5). Investment in real estate rose from being insignificant a decade ago to account for 14 percent of the investment portfolio in 2020/21 or 0.2 percent of GDP, mostly due to the social housing programs. Transportation investment reached 0.8 percent of GDP in 2020/21. Education and health investments have also expanded rapidly, accounting for 0.5 and 0.3 percent of GDP in 2020/21, respectively. Investments in water, electricity, and drainage have declined in relative importance over the past decade, although they increased in 2020/21, in part reflecting the Hayah Karima initiative.

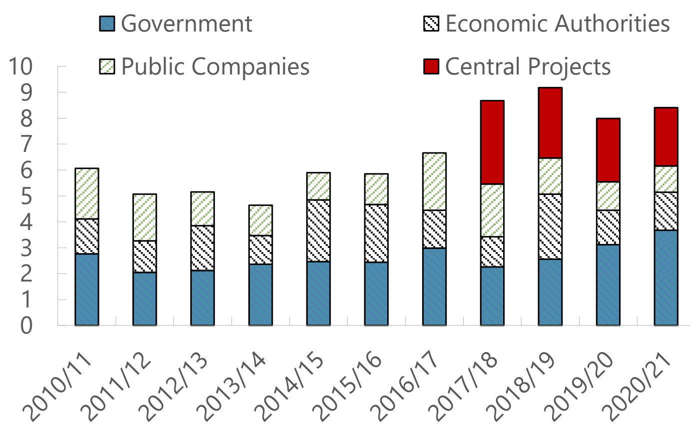
6. **Most public investment is executed outside the budget.** General government spending has accounted for approximately 40 percent of public investments over the last decade (Figure 6). Economic authorities and public corporations combined contributed 48 percent of public investments. While investments by public corporations dropped from 1.9 percent of GDP in 2010/11 to 1 percent in 2020/21, the sector “central projects” emerged in 2017/18 to reflect national megaprojects implemented outside the general government and became a major contributor of public investment. For instance, megaprojects include the new administrative capital, which is being built by the Administrative Capital Company for Urban Development (ACDU), a public corporation owned 49 percent by NUCA and 51 percent by the armed forces.

Figure 5. Egypt: Composition of General Government Investment
(Percent of GDP)



Source: Staff estimates based on official data.

Figure 6. Egypt: Public Investment by Sector
(in percent of GDP)

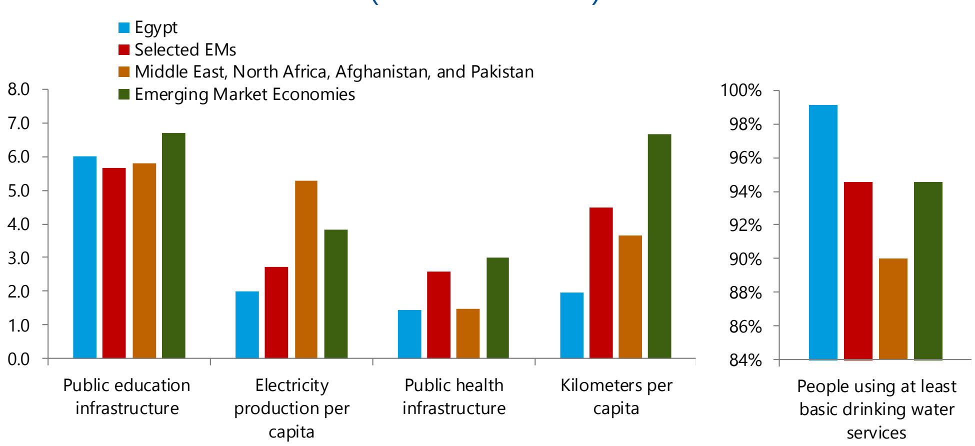


Source: Staff estimates based on official data.
Note: Investment by "central projects" is presented in official statistics since FY 2017/18. No data is available for previous periods.

Section II. Efficiency of Public Investment

7. **There is room to strengthen infrastructure access in social sectors, but major reforms are underway.** While access to public education infrastructure, measured as secondary teachers per 1,000 persons, is above the regional average, it lags emerging markets (Figure 7). Low enrollment and very weak quality led the authorities to launch a massive overhaul of the education system under the project Education 2.0, currently underway. The education system needs to progress quickly to ensure that the expanding young population have the skills to succeed in a competitive labor market. Health infrastructure is also on par with peers in the region, but well below other emerging markets. The authorities are addressing gaps in infrastructure in the context of the roll-out of the new universal health insurance scheme (UHIS), which is expected to reach 5 new governorates in 2022. Provision of health services was sustained during the pandemic. The pilot rollout of the UHIS in Port Said provided 2.5 million services to a population of 700,000 obtaining a satisfaction level of 96 percent among users. Screening of 70 million people over 7 months helped moving closer to the eradication of Hepatitis C. In early 2021, the authorities conducted a nationwide vaccination campaign against polio that reached 15 million children in a week.

Figure 7. Measures of Infrastructure Access: Comparison with Peers
(Most Recent Year)



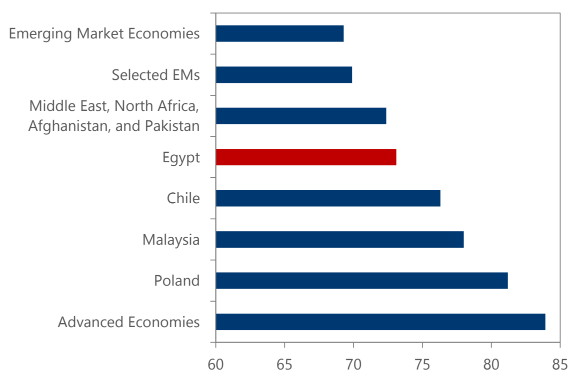
Source: World Development Indicators, CIA World Factbook, CAPMAS.
Notes: Units vary to fit scale. Left hand axis: Public education infrastructure is measured as secondary teachers per 1,000 persons; electricity production per capita as thousands of KWh per person; total road network as km per 1,000 persons; and public heath infrastructure as hospital beds per 1,000 persons; kilometers per capita is measured as the total length of the road network in kilometers per 1,000 persons. Right axis: Access to treated water is measured as percent of population. Selected EMs include Brazil, South Africa, Turkey, Morocco, Jordan, Pakistan, Ukraine, Poland, Vietnam, Indonesia, Malaysia, and the Philippines. For Egypt, teachers per student and total road network are from 2019, electricity production is from 2018, and hospital beds and access to treated water are from 2017.

8. **Climate change raises investment needs in renewable energy and water.** Egypt's production of electricity has increased significantly over the last decade with the country becoming a net exporter, but it remains relatively low compared to peers and the authorities plan to expand further to position Egypt as an energy hub and to make more climate-friendly to meet medium term targets. The authorities' goal is to reach 20 percent of electricity generation from renewables by 2022 and 42 percent by 2035, up from 11 percent in 2019. Recent projects such as the Benban solar park and the Gabel El Zeit wind farm show the potential of the sector and have gained interest from private sector investors. The authorities are also considering building a nuclear power plant. Substantial investments in transportation also aim at

reducing emissions through the promotion of electric and natural gas-powered vehicles and improving the quality and efficiency of public transportation. While 99 percent of the population have access to water, a level that is well above peers', climate change threatens water security. To address these challenges, the authorities aim to build 47 desalination plants within 5 years, as well as wastewater treatment plants.

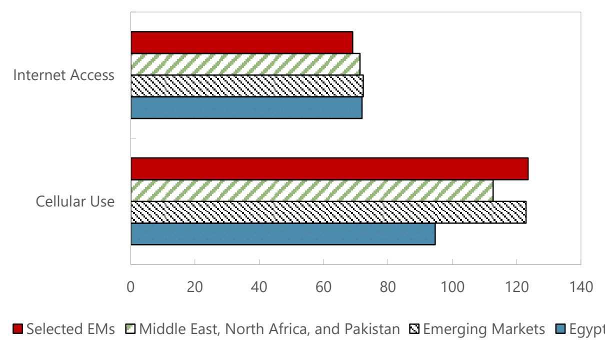
9. Perception of infrastructure quality and access to digital infrastructure are relatively strong. Perceptions of infrastructure quality in Egypt are slightly ahead of regional peers and substantially ahead of other emerging markets (Figure 8). Nevertheless, the infrastructure quality gap remains significant with best performing emerging markets (e.g., Poland, Malaysia, Chile) and advanced economies. In terms of digital infrastructure, progress has been substantial (Figure 9). In 2020, 72 percent of Egyptians had access to the internet, in line with emerging markets and slightly ahead of regional peers. Cellular use reached 95 lines per 100 inhabitants, below comparators, but still indicating very high level of access. Expansion of the road network has been significant over the last few years, growing by 19 percent between 2014 and 2019 (Figure 10).

Figure 8. Infrastructure Quality in 2019: Comparison with Peers
(Scale=0-100)



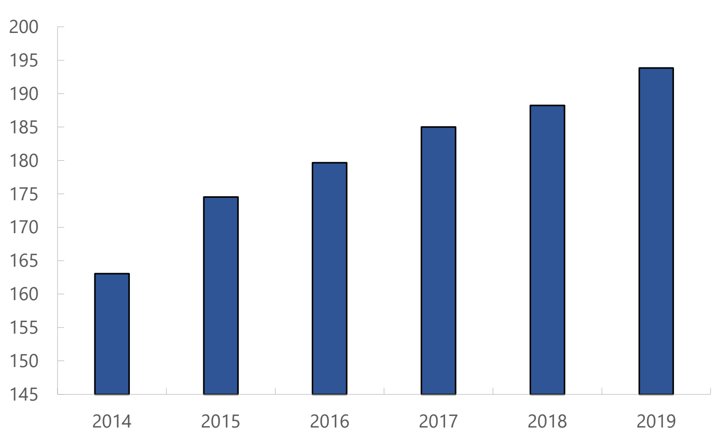
Source: World Economic Forum.

Figure 9. Digital Infrastructure in 2020-21 Comparison with Peers
(in subscriptions per 100 inhabitants)



Source: International Telecommunication Union.

Figure 10. Total Road Network in Egypt
(Thousands of Kilometers)



Source: Egyptian authorities' data.

Figure 11. Efficiency Frontier, Quality Indicator

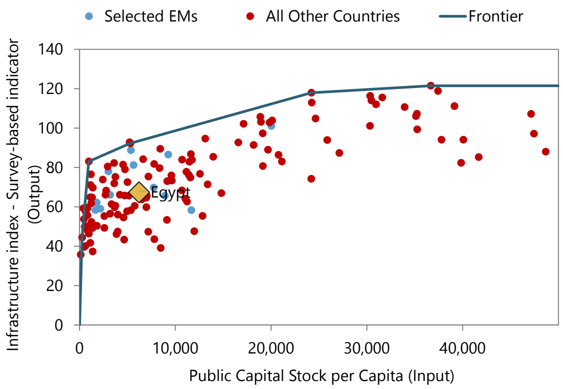


Figure 12. Efficiency Frontier, Physical Indicators

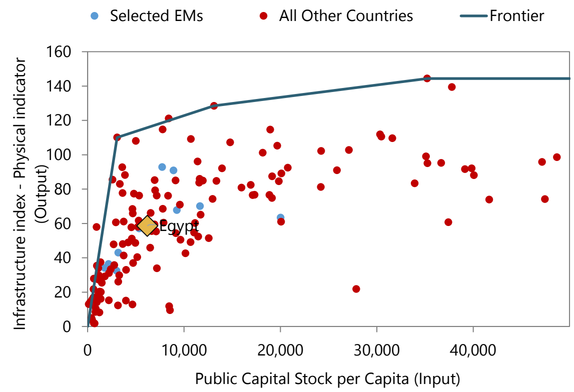


Figure 13. Efficiency Frontier, Hybrid Indicator

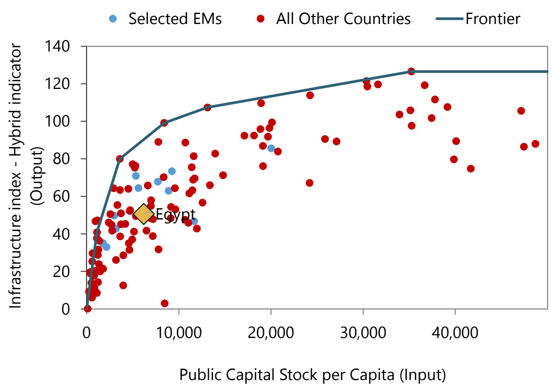


Figure 14. Efficiency Gap, Physical Indicators

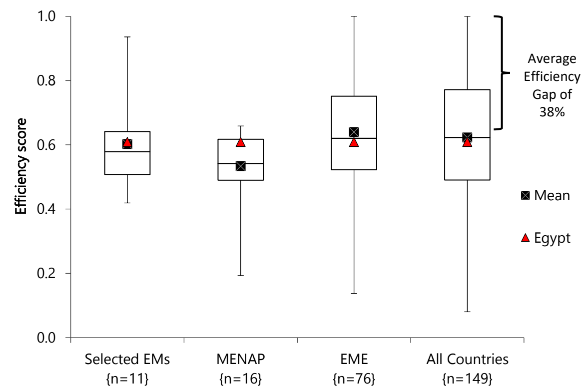


Figure 15. Efficiency Gap, Quality Indicator

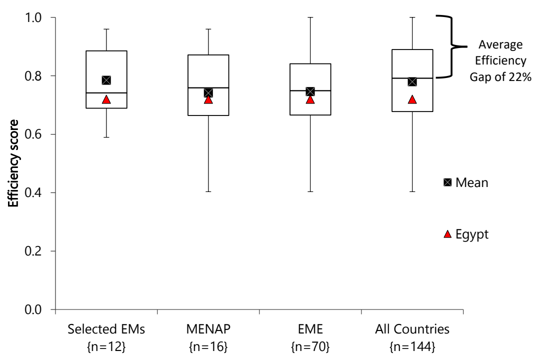
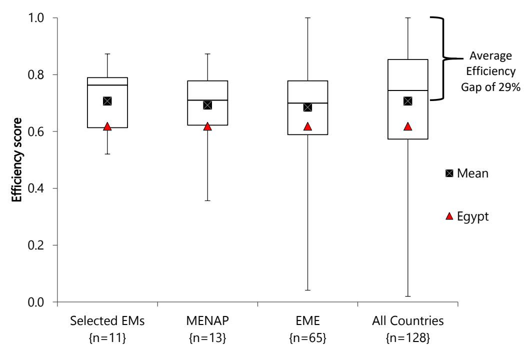


Figure 16. Efficiency Gap, Hybrid Indicator



Source: Staff estimates.
Note: Selected EMs include Brazil, South Africa, Turkey, Morocco, Jordan, Pakistan, Ukraine, Poland, Vietnam, Indonesia, Malaysia, and the Philippines.

10. There is room to deploy public investments more efficiently (Figures 11−15 above). Cross-country frontier analysis of the outputs obtained from public capital in the form of perception of quality and physical indicators shows that Egypt is still significantly below the most efficient use of resources represented by the efficiency frontier. That is, higher level of public service delivery could have been attained with the amount of public investment undertaken.[3] On average, Egypt is at the low-end of the hybrid efficiency indicator, which combines both physical and quality of infrastructure outcomes, with an efficiency gap of 38 percent compared to an average of 29 percent around the world and 31 percent in the region and among emerging markets. The efficiency gap for physical infrastructure is 39 percent, similar to the average and median for the world and emerging markets and better than regional peers, but still implying that half of the countries in the sample do better than Egypt at providing access to infrastructure conditional on the level of investment. At 28 percent, the efficiency gap for quality of infrastructure is worse than the global average, but this indicator is somewhat outdated and may not reflect improvements over the last 4 years.

11. In sum, a review of the public investment management system in Egypt is timely. Egypt has large investment needs to improve public service provision in the face of challenging dynamics induced by demographics and climate change. Yet, fiscal space to implement them is limited and so, achieving efficiency gains through a strengthened framework can help maximize the benefits of public investment.

[3] For further details on the methodology, see International Monetary Fund. 2022. *PIMA Handbook: Public Investment Management Assessment*, 1st edition. Washington, DC: International Monetary Fund.

Section III. Public Investment Management Institutions

A. THE PIMA FRAMEWORK

The Public Investment Management Assessment (PIMA) framework assesses 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. The PIMA uses the term “institution” in a broad sense, to comprise public investment management laws, regulations and organizational features as well as procedures, activities and outputs. The tool evaluates 15 institutions involved in the three major stages of the public investment cycle (Figure 20). 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.

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 2 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 provides 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 the 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 Egypt.

Figure 17. PIMA Framework Diagram

Sources: *Public Investment Management Assessment: Review and Update*, April 2018, IMF. http://www.imf.org/en/Publications/Policy-Papers/Issues/2018/05/10/pp042518public-investment-management-assessment-review-and-update..

B. INVESTMENT PLANNING

1. Fiscal principles and rules (Strength—Low; Effectiveness— Low; Reform Priority—Medium)

12. Fiscal institutions such as targets and rules can provide stability for investment planning. Investment projects typically extend over more than one fiscal year, so it is important to adopt a medium-term perspective to prevent excessive spending volatility undermining the quality of public investment. Fiscal targets and rules provide such perspective and help to ensure consistency between annual and medium-term plans and to guarantee debt sustainability.

13. Egypt does not have formal fiscal targets, rules, or a medium-term fiscal framework (MTFF). Egypt does not have a formal, permanent fiscal rule to ensure debt sustainability and a fully-fledged MTFF is also missing. Until the recent approval of the new Public Financial Management (PFM) law, there was also no legal basis for an MTFF. The authorities prepare medium-term projections of major macro-fiscal aggregates and usually report the projected debt level over the medium term in budget documents. However, these medium-term projections do not constitute a fully-fledged MTFF because they are not binding, they are not formally adopted by Cabinet, deviations from those projections are not monitored and explained, and disaggregated projections are not published. The budget includes a general discussion of fiscal policies towards achieving the Egypt Vision 2030 but focusing primarily on the upcoming fiscal year.

14. Egypt's informal fiscal targets are not sufficient to ensure debt sustainability. Since 2018/19 Egypt has had an informal target of a primary balance of 2 percent of GDP, which has served as an important anchor within the MoF and across the Cabinet. Deviations from this target have been relatively minor, even in light of the COVID-19 pandemic and the Russian invasion of Ukraine (Figure 18), highlighting the authorities' strong commitment to fiscal discipline. However, repayment of arrears to public sector corporations have been recorded "below-the-line" and constituted a major source of debt creation. In fact, between 2016/17 and 2021/22, these stock-flow adjustments have been the main driver of debt accumulation at the general government level, adding 3 percent of GDP each year on average (Figure 19).[4] The informal primary balance target does not capture these transactions, and the effectiveness of this target in guiding fiscal policy is limited. Furthermore, conditions have changed significantly over the last few years and would probably require raising the numerical target.

15. Adopting a MTFF is a medium reform priority, as it could enhance credibility and ensure that the level of public investment is adequate, predictable, and sustainable over the medium term. (Box 1). Implementation of the new PFM law offers an opportunity to make progress in this direction as it modernizes the legal framework and provides a mandate for introducing medium term budgeting. The MTFF will have to be approved by Cabinet and published. Based on the approved MTFF, the MoF will develop medium-term budget ceilings consistent with it.

Figure 18. Budget Sector Primary Balance
(in percent of GDP)

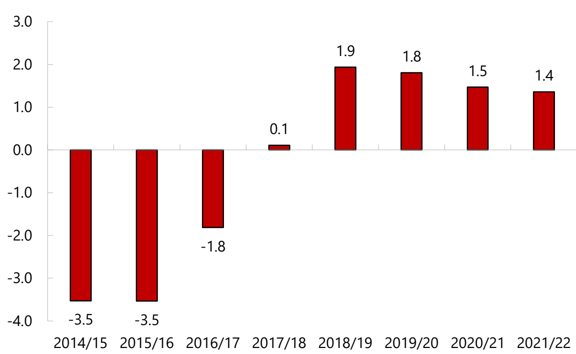
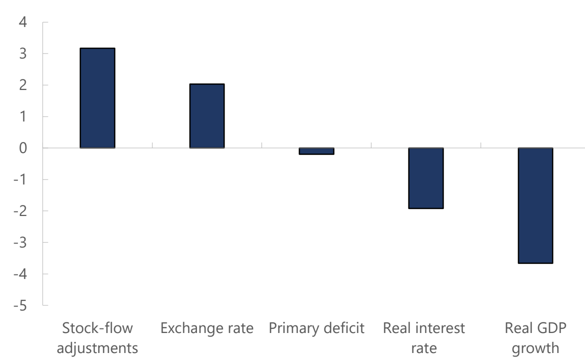


Figure 19. Average Contribution to Changes in General Government Debt
(2016/17-2021/22, in percent of GDP)



Source: IMF staff calculations based on Egyptian authorities' data.
Note: The chart on the left uses GDP before the recent re-basement to be consistent with the measurement on the informal target of 2 percent. The chart on the right uses a standard debt decomposition equation to decompose the change in debt to GDP from one year to the next (in percentage points of GDP) into what it is attributable to its main drivers: real GDP growth, real interest rate, primary deficit, exchange rate, and a residual (stock-flow adjustment).[5]

[4] To assess debt sustainability, it is preferable to use general government aggregates, rather than budget sector aggregates. However, the role of below-the-line transactions is even larger at the budget sector level.

[5] For further details on the methodology, see International Monetary Fund. 2021. *Review of the Debt Sustainability Framework for Market Access Countries*, IMF Policy Paper No. 2021/003. Washington, DC: International Monetary Fund.

Box 1. Medium-Term Fiscal Frameworks (MTFF)

A MTFF is a set of institutional arrangements in the budget process that include procedures for making multiyear projections and setting multiyear expenditure limits, as well as providing for the timely release of this information, so that it can inform a medium-term budget framework. It is essential that the MTFF is formally adopted at a high political level (e.g., Cabinet) and that deviations from it are explained to build credibility, both within the government and with the public.

A comprehensive MTFF consists of:

- Medium-term macro-fiscal forecasts, including transparent assumptions and explanations. Analysis of past projection errors and explanations of deviations from previous projection vintages is key to develop confidence on the forecasts.
- A fiscal strategy paper that provides a clear, consistent narrative of fiscal policy, including recent developments and targets over the medium term and envisaged policies.
- A fiscal risk statement, with a comprehensive assessment of potential risks and mitigation strategies.

Good international examples of MTFFs include Canada, New Zealand, and South Africa.

2. National and sectoral plans (Strength—Medium; Effectiveness—Medium; Reform Priority—Low)

16. Public investment should be guided by national and sectoral public investment strategies or plans that provide clear and realistic priorities, cost estimates, and objectives for each sector. This institution first looks at whether national and sectoral public investment strategies and plans are prepared and published by the government covering all public investment projects regardless of their financing source. It then underlines the importance of costing of public investment plans and assesses whether sector strategies identify measurable targets for outputs and outcomes of public investment and how they are used.

17. Investment allocation is guided by national and sectoral development plans that are prepared by the central government. These plans outline investment strategies and consider broad estimates of aggregate and major investment project-specific costs that are funded through the government budget. The targets set in these investment strategies are mostly focused on outputs, not outcomes. The General Planning Law no. 18 of 2022 lays out key aspects of the planning framework, which comprises the following documents, which all must be approved by the Supreme Council of Development and Urban Planning before being sent to Parliament for approval:

- Egypt's Sustainable Development Strategy: Vision 2030 (SDS) provides the development planning vision for the economy and the public sector.
- Egypt's Medium-Term Sustainable Development Strategy (MSDS). The MSDS planning horizon is five years and it covers key economic and public investment sectors, economic, fiscal and sectoral performance indicators, an aggregate estimate for private and public investments for the planning period as well as key sector specific investment projects and some project specific costs and several output-based indicators.
- Ministries develop sectoral plans. The sectoral plans that are available focus on performance objectives and offer analytical information about sectoral trends, gaps, and resource envelopes.

However, they do not always clearly connect investment project outcomes to desired results at the sector level, nor do they provide the information to analyze if the investment plans are the most cost-effective way to reach the sectoral targets.

18. The information published about the actual costs and performance of investment plans and projects is limited. The MSDS identifies examples of major investment projects at the sectoral level. The MSDS and annual investment documents disclose estimates of total costs for several major projects, providing different levels of detail for various sectors. However, the published planning related budgetary documents do not discuss significant cost deviations or project performance. These documents do not enable a meaningful comparison of initial project cost estimates, budgeted amounts, and actual spending on investment projects..

19. More concise specification of initial cost estimates, output and outcome estimates, and implementation timelines, for all sectors and sub-sectors, can support greater investment efficiency. Publishing such information in the budget would serve as a foundation for project planning and monitoring project implementation, as well as for ex-post assessments of project achievements.

3. Coordination between entities (Strength—Low; Effectiveness— Medium; Reform priority—Low)

20. Various levels of government and distinct agencies should coordinate public investment initiatives and funding to allow coherent project implementation. This will ensure that priorities are consistent and individual projects complementary between central government and local governments (LGs), flow of funds is predictable among different levels of government and contingent liabilities are contained.

21. There is no institutional requirement for systematic sharing and coordination of spending plans, and a rules-based transfer system for making capital transfers to LGs is not yet implemented. A unified legal framework governs the public sector budgeting and accounting system in Egypt and covers all public entities irrespective of whether they are at the central or local level. Some important features of the financial system at the local level are derived from the 1979 Local Administration Law (with amendments) and its executive regulations. The 2022 budget circular requires local governments to send their budget using the economic classification but there is no requirement to provide a list of planned investments. MPED and the Minister of Local Development issued a Ministerial Decree specifying the process for adopting and applying a formula-based capital allocation system for governorates and districts. A committee was established to define the formula but, at the time of the mission, this was not yet implemented...[6] Since 2017, the authorities have taken a number of steps to improve the coordination across levels of government, including a decision from cabinet in March 2017 requiring all ministries to consult with the MoF prior to negotiating or concluding any contracts that could necessitate the issuance of sovereign guarantees, but there is no requirement to report contingent liabilities to the central government.

[6] Ministerial decree no. 121/2018 dated October 21, 2018. The General Planning Law no.18 of 2022 stipulates that a financing equation will be applied to ensure equitable distribution of financial resources to governorates. This will be enforced once the executive regulations are promulgated.

Table 3. Contingent Liabilities as at End-December 2021

(in EGP bn)

Entities	%	Amount
Egyptian General Petroleum Corporation (EGPC)	33	
Other*	20	
New Urban Communities Authority (NUCA)	19	
Egyptian Electricity Holding Company (EEHC)	14	
National Expenditure Authorities Egypt	6	
Egyptian Electricity Transmission Co. (EETC)	3	
Railway Authority	3	
The New and Renewable Energy Authority (NREA)	1	
Middle east oil refinery (Midor) Egypt	1	
Aviation Holding Company	0	
TOTAL	**100**	**1,660**

Source: The Financial Statement on the State's General Budget 2022/2023.
(*) There are no details on what "Other" includes.

22. **In practice, investment plans of LGs are managed by central government, and there is reporting on contingent liabilities.** All local capital spending decisions in Egypt are taken through the State Budget (see Box 2). MPED has recently launched an Integrated System for Investment Plan Preparation and Monitoring (ISIPPM) where all government entities, including LGs are asked to enter their projects (see section IV.B). Government guarantees and on-lending to Economic Authorities (EAs) and public corporations (PCs) represent major contingent liabilities and are reported and disclosed at a highly aggregated level in budget documents (they are not reported by category i.e., SNGs, PCs, and PPPs), but formal mechanisms for central government control over and coordination with these entities are limited. At the end of December 2021, government guarantees amounted to EGP1,660bn, 21 percent of GDP out of which 8.4 percent are foreign.[7] A sovereign guarantee policy is being implemented informally, whilst awaiting approval from the Cabinet for the establishment of the SGC. In 2022, no LG has sought loans as government provides funding for major capital projects.

23. **Enhancing capital spending coordination between the central and local government is a low reform priority, but efforts to improve the comprehensiveness of contingent liabilities monitoring and reporting should also continue to ensure that fiscal risks are properly managed.** While respecting the constitutionally mandated autonomy of LGs, their capital spending plans should be increasingly coordinated with the central government as soon as more responsibilities are designated to LGs to allow consistency with national strategies as well as complementarity between local and central public investment. All LG projects should continue to be included in the ISIPPM.

[7] The Financial Statement on the State's General Budget 2022/2023 (page 70).

Box 2. Budget Preparation at the Local Level

Egypt has a highly centralized, but deconcentrated, structure of government. There are four levels of authorities, the central authorities; governorates; districts; and local units such as towns, villages and neighborhoods. The fiscal powers of local governments are relatively limited. In 2022, expenditures at the governorate level and below represent less than 4 percent of GDP (equivalent to around 10 percent of national expenditures), and local revenues represent less than 0.5 percent of GDP (i.e., less than 2 percent of national revenues). Governorates nevertheless have an important political and administrative status. Governors are appointed by the president. Budget allocations for capital spending at subnational level are defined by central government considering proposals from governorates.

The Local Administration Law requires the governorates to prepare a draft budget, which includes the budgets of affiliated line ministry (service) directorates and departments and those of district, city, neighborhood and village. Each of these units prepares its draft budget and submits it to the governorate level. These budgets are integrated in the state budget.

The Heads of service directorates at the governorate level are local agents of central line ministries. In practice they are responsible for developing their own budget proposals. Each directorate has full control over the development and implementation of its own budget, which may include filial departments at lower levels (in particular the district) and may determine its priorities as long as they are in accordance with overall strategies set by the relevant parent ministry.

After the budget has been discussed and approved by the local executive council of the governorate (comprising the governor, heads of districts and cities, and heads of the service directorates), each governorate is required to submit its draft budget to the Ministry of Local Development, MoF, and the MPED (for capital spending).

The Law also gives the Local Popular Councils (LPC)—locally elected councils at each local level—the right to approve or disapprove the budget prepared at their level. However, the LPCs appear to play a limited role in developing and approving the budget, and most influence rests with executive officials, and in particular the governor, rather than elected representatives.

The 2014 Constitution grants local units the right “to "independent financial budgets" (Article 178), with funds derived from a combination of local taxes and resources allocated to them by the State. Every local council is to develop its own budget and final accounts (Article 182). Local councils are to be elected by direct and secret ballot for a term of four years (Article 180). However, local councils were dissolved in 2011 and municipal elections are pending the promulgation of a new local administration law.

4. Project appraisal (Strength—Low; Effectiveness—Low; Reform Priority—High)

24. **Project appraisal aims to ensure that all relevant project costs, benefits and risks from a social, economic and financial perspective are fully assessed and inform decisions on project selection and funding.** Project appraisal comprises different stages that require increasing levels of analytical scope and depth. Often project appraisal stages include project concept, pre-feasibility and feasibility. Project appraisal methodologies may vary based on the type and size of project. Simple, standardized projects may be approved for funding consideration based on a concept note or pre-feasibility study. Large, complex and risky projects should be subject to full appraisal incorporating detailed consideration of costs, benefits, risks and implementation issues. Common and standardized methodologies ensure consistent analysis of projects across different sectors.

25. **There is a general requirement to conduct feasibility analysis for new public investment projects, but there are no specific requirements for and guidance on the scope and methodologies for appraisal, except for identifying climate-relevant projects .** A Circular issued by

the MPED for preparation of an annual investment plan and a Circular issued by the MoF for preparation of the state budget include a requirement that new public investment projects should be subject to feasibility analysis. However, there is no regulation that defines what constitutes feasibility analysis or what requirements and steps should be followed in the preparation and submission of project appraisal documents for funding consideration. PPPs are an exception (Box 3). There is also separate guidance on how to identify climate-relevant projects, as described in the Climate PIMA report.

Box 3. Project Appraisal of PPPs in Egypt

The legal framework for Public Private Partnership projects requires feasibility and other studies at the project appraisal stage. PPP executive regulations provide requirements for the review of appraisals by the PPP Central Unit in the MoF.[8] The Supreme Committee for Public Private Partnership Affairs approves a PPP project for tendering based on the review report and recommendation of the PPP Central Unit as informed by project studies. The required components of appraisal for PPP projects include a feasibility study with cost-benefit analysis and calculation of internal rate of return for the PPP project. There is no explicit requirement in the regulatory framework to take into account risks in the appraisal of PPP projects.

26. Major capital projects are subject to appraisal, but the scope and rigor of project appraisal varies in practice due to the lack of central guidance. The recently established Department for Project Feasibility Studies in the MPED provides advisory support to sectoral ministries and entities at the appraisal stage for projects funded from the state budget. While the ministry's focus is on review and approval of investment plans submitted by sectoral ministries for state budget entities, it receives investment plans from Economic Authorities for consolidation purposes only. The PPP Central Unit in the MoF provides support for the appraisal of PPP projects in accordance with Article 4 of the PPP Law 2010. However, the appraisal of some PPP projects is carried out by sectoral entities without support of the PPP Central Unit.

27. A key reform priority should be putting in place public investment management regulations and guidelines covering all key stages of project cycle, including project appraisal. The Public Investment Management (PIM) regulations should define the scope of project appraisal, its stages (for example. project concept, preliminary appraisal and detailed appraisal), key analyses and studies that should be undertaken depending on the size and type of project at the appraisal stage. This will ensure rigorous, in-depth appraisal of major and complex projects, while applying simplified procedures for routine, standardized projects. The PIM guidelines should provide methodologies and templates for carrying out specific analyses, including risk assessment. and studies. Strengthening coordination between the PPP Central Unit in the MoF and the recently established PPP Unit in the MPED will be important for developing a pipeline of PPP projects.

5. Alternative infrastructure financing (Strength—Low; Effectiveness— Low; Reform Priority—High)

28. Private sector participation in infrastructure financing can help to address infrastructure needs in key sector, supporting economic development while containing the burden on

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[8] Requirements are set out in Article 4 of the 2010 PPP Law.

government finances. If private firms find a stable environment in which they can achieve a fair return on long-term investment, responsibilities for some infrastructure can shift from the public sector to the private sector, thus relieving pressure on public finances. For example, internationally, many countries dissolved the public sector monopolies in electricity and telecommunication markets, creating opportunities for the private sector to invest and develop services while making a profit. Availability of electricity and telecommunication services at market prices has boosted the competitiveness of countries as business location, inducing economic growth and social development.

29. The regulatory framework for economic infrastructure markets and the role played by public enterprises does not support competition, however a framework for involving the private sector in providing public infrastructure through PPPs is in place.

- Key economic infrastructure markets have not yet been liberalized and unbundling of utility markets is pending (see Box 4). The regulators for telecom, electricity, gas, and water and sewage are subordinated to the respective sectoral ministers[9], who also act as the chair of their board. Consequently, the role of regulators is not separated from those of the sectoral ministries, involving regulators in policy setting, infrastructure development (e.g., universal service in telecommunication), and price setting for their respective market. In the absence of an efficient and independent regulator, persisting monopolistic structures in at least parts of the value chain of utilities markets competitors' access to infrastructure may be obstructed.
- The PPP law[10] provides the legal basis for establishing and managing PPPs across all sectors, while not covering concessions for public utilities and natural resources.[11] It caters for a comprehensive PPP process from project selection to implementation, as well as the institutional framework. However, the PPP process handles projects largely outside the PIM and the budget process, it does not introduce a limit for the total financing contracted under PPPs, nor provide the Minister of Finance with the powers to stop a PPP project, should it be unaffordable. This limits the MoF's ability to contain and manage fiscal costs and risks from PPPs.
- Some of the extrabudgetary entities (EBEs), PCs and EAs, undertake substantial parts of public investment in infrastructure (see Figure 6). However, formal mechanisms for central government control over and coordination with these entities are limited.[12] Government control is mostly exercised through the participation of government officials in the entities' boards as there is no formal requirement for PCs to coordinate business and investment plans with the government.[13]

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[9] Gas Regulatory Authority: Law no. 196 of 2017; National Telecommunications Regulatory Authority: Telecom Regulation Law no. 10 of 2003; Egyptian Electric Utility and Consumer Protection. Regulatory Agency: Law no. 339 of 2000; Drinking Water, Sanitation and Consumer Protection Regulatory Agency: Republican Decree No. 136 of 2004.

[10] Law no. 67 from 2010 regulating Partnership with the Private Sector in Infrastructure Projects, Services and Public Utilities; and amendments enacted through Prime Ministerial Decree no. 3217 of 2022.

[11] Concessions for public utilities and natural resources are governed by the Law no. 129 for 1947 concerning concessions of public utilities, and Law no. 61 for 1958 concerning Concessions relating to the investment of natural resources and public utilities, as well as Public Tenders Law no. 89 for 1998 organizing tenders and bids and any specific laws related to granting concessions of public utilities.

[12] A general framework establishing and governing PBSCs is in place through Law no. 203 of 1991 on PBSCs, amended by Law no. 149 of 2001.

[13] EAs are subordinated to the respective sectoral ministry, and their budgets are presented to and approved by parliament while their investment plans are included in the annual public investment plan. The State Budget Law no. 53 of 1973, specifies the relationship between the budgets of Economic Authorities and the state's General Budget.

Box 4. Private Sector Access to Key Economic Infrastructure Markets

While the unbundling and deregulation of some markets in underway, several key economic infrastructure markets are dominated by domestic monopolies.

- In **telecommunication**, private sector companies can be licensed for network development and for service provision to end-users, and a legal framework for network sharing is in place. Telecom Egypt (80 percent owned by the government) owns the legacy cable-based network and holds a dominant market position also in the provision of cable-based services to end users. The telecommunication regulator is involved in investing in network expansion where this is considered necessary for providing universal services in geographical areas where the network installation would be commercially non profitable. Three private sector providers have obtained licenses to operate in the Egyptian telecommunications market. The government owns 45 percent of Vodafone Egypt, the largest mobile operator.
- In the **electricity** market, private investment is allowed in electricity generation and distribution. However, the Egyptian Electricity Transmission Company, which owns the network, is the single off taker from producers and the only seller to distributers. At the same time, the Egyptian Electricity Holding Company owns the Egyptian Electricity Production Corporation and the Egyptian Electricity Distribution Corporation, both of which have a dominant market position, while private sector distribution to end-users accounts for only about 2 percent of volume.
- In the **gas** market, 100 percent publicly owned E-Gas is the only supplier, and also owns 70 percent of Gas Co, the transmission operator (national high-pressure network). Private sector involvement is limited to local distribution (low pressure network), which can be contracted to private sector operators and supply to end users. Private sector companies acting as suppliers sell on behalf of E-Gas on a commission basis.
- The **water and wastewater** markets are fully operated by the public sector and have not been opened for direct private sector activities. The private sector involvement is currently limited to the participation in one PPP (New Cairo wastewater management), and it is intended that several PPPs will be contracted for water desalination.

30. Involvement of the private sector in key economic infrastructure sectors, including through PPPs remains very limited, and the government (through direct controls as well as PCs and EAs remains the dominant player in most markets.

- While private sector companies have been involved in the telecommunication sector for more than two decades, the public sector plays a dominant role in the market. To date investment in the sector has been insufficient to close the gap between demand and supply in telecommunication services. Indicating potential entry barriers for private sector competitors, including through lengthy approval procedures for infrastructure construction.
- Private sector participation in electricity generation through some power purchase agreement (PPAs) and independent power producers (IPPs) are operating with contracted tariffs and regulated feed in tariffs, respectively. However, to date, private sector participation is minimal and commercial incentives for private sector participation are very limited given the monopolistic position of the transmission PC as the single off taker and seller of electricity.
- In the gas sector, the government retains a monopolistic position as two government owned companies, E-Gas and Gas Co, are the only supplier of gas and owner of the transmission network, respectively.

- Water and sewage markets are fully government controlled.
- The government has signed a limited number of PPPs (four) since the current legal and institutional framework have been introduced in 2010. The projects in the water and sewage sector (wastewater treatment) and the transport sectors (dry ports) were executed under the PPP law. Government entities mention the complexity of the PPP legal requirements and the time needed to develop projects under the PPP legal framework as obstacles for using PPPs for project implementation.

31. Strengthening the independence of regulators and unbundling services in key economic infrastructure markets are high reform priorities. Strengthening the regulatory framework for utility markets by empowering regulators to regulate prices in monopolistic markets will enable the development of competitive market structures in these markets. This must be followed by the unbundling of the service chain in these markets, allowing public and private sector companies to compete on a level playing field in production and distribution.

C. INVESTMENT ALLOCATION

6. Multi-year budgeting (Strength—Low; Effectiveness—Low; Reform Priority—High)

32. Multi-year budgeting helps ensure that there are enough resources to fund ongoing and new projects and supports effective medium-term planning. This prevents starting work on a project for which there will be no or limited funding in the future, which would lead to delays and costs overruns. Capital projects are typically significant outlays which take time to design, plan and execute and the financial framework should reflect this.

33. Egypt does not have medium term budgeting arrangements in place. The budget process and resulting allocations relate to the current year only. Capital spending is not forecasted over a multi-year horizon and no multi-year ceilings are provided to ministries or sectors. Projections of the total construction cost of major capital projects are not published systematically.

34. Projections of the total construction cost of major capital projects are not published systematically. Aggregate information of major projects is usually disclosed in official communications and statements to the media. For instance, the cost of the New Administrative Capital was reported to amount to USD 45 bn, the Hayah Karima initiative to improve infrastructure in rural Egypt was reported to cost EGP 700 bn over 3 years, the expansion of the Suez Canal was reported to cost USD 8.5bn, the establishment of desalination plants was reported to cost EGP 435 bn, and the Ain Sokhna-New Alamein electric rail was reported to cost EGP 360 bn. The authorities have launched a mobile application (Sharek 2030) where citizens can track ongoing and completed projects by governorates and submit their own ideas for future projects. The citizen investment plans (Figure 20) by governorates also offer information on major projects. However, changes in total construction costs of major projects are not identified and explained. Systematically publishing the total construction cost of major capital projects, including a breakdown per year, and identifying changes in cost would be important for medium-term budgeting.

35. Implementation of a medium-term budget framework would improve planning and enhance the predictability of investment spending and is a high priority. The new PFM law envisages a medium-term budget framework to cover three fiscal years in addition to the year of the budget, with the ceilings prepared at the level of ministry or independent entity. The next step would be to enact executive regulations that provide for a well-sequenced medium-term budget process (starting with the MTFF) and to offer training and resources to the line ministries in the transition to the new paradigm. This could be further disaggregated with the publication of medium-term cost forecasts for major projects across each sector.

Figure 20. Citizen Investment Plan. Cairo Governorate.
FY 2021/22. Transportation

Source: Page 8 of the Citizen Investment Plan for the Cairo Governorate FY 2021/22.

7. Budget comprehensiveness and unity (Strength—Medium; Effectiveness—Medium; Reform Priority—Medium)

36. **Budget comprehensiveness and unity requires that all potential projects are evaluated, prioritized and presented together.** By prioritizing investments from all sources – including those delivered by EBEs and irrespective of how the investment is financed – value for money is maximized. This approach will also help ensure that the collective public investment portfolio is coherent and aligned to overall national objectives. Integrated budget presentation, taking account of recurrent resource needs into the future, can help achieve targeted project benefits into the medium- and long-term.

37. **The legal and regulatory framework allows for extrabudgetary public investment, but this is required to be disclosed and approved by parliament in the Annual Economic and Social Development Plan (AESDP) (Box 5).** In addition to central government-funded projects, investment is delivered by Economic Authorities, public corporations (the Public Business Sector (PBS)) and designated National Projects. The majority of public investment is represented in the AESDP which is ratified by Parliament and is aligned to the overall medium-term investment strategy and vision set out in Egypt 2030. While the AESDP shows most major investments, projects are not described uniformly or in sufficient detail. The State Budget presents integrated capital and recurrent spending, decomposed by economic and functional classification, but not for PBS and Economic Authority projects.

Box 5. Annual Economic and Social Development Plan

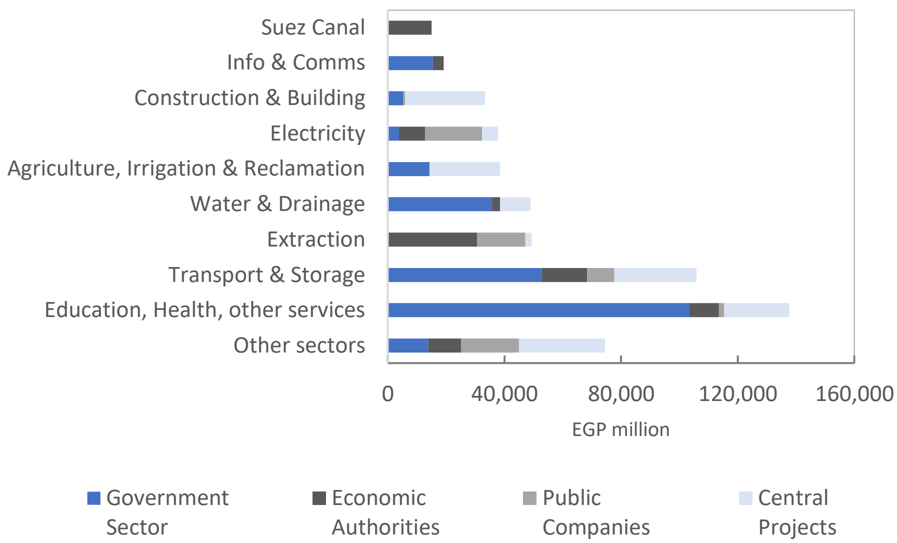
Prepared by MPED and presented in tandem with the State Budget, the AESDP represents the yearly action plan for the achievement of a range of economic and social development objectives in Egypt. Annual public investment plans are included as one element of the overall document. Specific investment-related information includes:

- Key outputs and performance against Key Performance Indicators (KPIs) for previous years.
- Total allocations for sectoral programs of investment in transport, water, energy, agriculture, health and education.
- Breakdown of the structure of investment by central government, Economic Authority, National Projects and Public Sector Business.
- Major projects to be progressed in the year ahead.
- Regional distribution of investment across Egypt's Governates, disaggregated by sector.
- Output and outcome indicators for the year ahead.

38. **In practice, extrabudgetary capital spending is significant.** While central government investment ranges between 30-40 percent of total public investment, the AESDP incorporates all public investment (including PPPs, own-resource funded projects by the PBS and loan-financed projects) (Figure 21). The Plan includes detailed investment allocations to each type of delivery entity and across each sector but there is little information on funding and financing at the project level. There is particular ambiguity regarding funding for the category of "National Projects". Recurrent expenditure associated with investment by Economic Authorities and PBS bodies is not integrated with capital investment budgets.

39. **There is scope to improve budget comprehensiveness by preparing a more targeted annual investment plan.** Separating out a specific annual capital budget document from the wider economic and social strategy contained in the AESDP can support more informed investment governance. The document should disclose uniform information on all major projects including total cost, allocation for the years ahead, financing source and delivery entity. There should be a clearer presentation of funding for all delivery channels - Central Government, Economic Authorities, National Projects and PBS.

Figure 21. Public Investment by Agency Type and Sector, 2021



Source: Staff Analysis of Central Bank of Egypt, Monthly Statistical Bulletin

8. Budgeting for investment (Strength— Medium; Effectiveness—Medium; Reform Priority—Medium)

40. Ensuring that funds are available in line with needs for executing multi-year projects is key to the efficient implementation of projects but often poses a challenge in the context of annal budgets. Well-designed budget and commitment procedures can make it more likely that funds are available for ongoing projects, helping to deliver on time and to contain cost overruns due to delays.

41. The institutional framework prohibits virement from capital to current spending without going to parliament, but the protection of individual investment projects through budget implementation is relatively weak. Budget documents, including the investment budget, are expected to have a feasibility study, which provides information on total project cost but there is no legal requirement for including this information nor information on progress of financial implementation in the budget documents. Budget outlays are appropriated on an annual basis. While new projects cannot be started unless their financing has been identified, there is no requirement to protect ongoing projects over new projects, allowing the reallocation of funds between ongoing projects, but also to new projects. Through provisions in the annual budget law, overall allocations for investment spending are protected and cannot be vired to other Chapters of the budget, without parliamentary approval.

42. Information on the costing and resource requirements, even of the largest public investment projects are not included in the budget documents or published elsewhere and in-year reallocation between projects seem to be frequent. Budget documents do not include information on remaining resource needs through project finalization. The capital budget, also due to the allocation of responsibilities between MoF and MPED, is managed largely in isolation from the current budget. Thus, virements between the investment budget (budget Chapter 6) and other chapters do not occur but in-year reallocations of funds among projects within Chapter 6 are reportedly frequent and employed to address changes in the pace of project implementation or deviations from cost estimates. It is not clear if the government has information on whether project implementation is delayed due to lack of resources. However, it has been mentioned, e.g., by the Ministry of Education, that in case there is a of lack of budgetary resources for implementing all suggested projects, the ministry would just start all projects and resources would be allocated over coming budget years or though reallocation, once the projects are in implementation.

43. Systematically protecting budget funding for ongoing projects is a medium reform priority and could potentially be supported by the new IT system. Making information on resource needs for existing and newly suggested projects available in a consistent and comprehensive manner will allow for better-informed decision making. For this purpose, information on (i) the total initial and updated project cost,; (ii) the spending undertaken to date for any ongoing projects; and (iii) the allocation of medium-term spending projections should be included in the budget documents. This will also provide a basis for monitoring and managing investment project performance, including adherence to implementation timelines and cost overruns, in a transparent manner. This will also provide an incentive for spending entities to address challenges in project management.

9. Maintenance funding (Strength—Low; Effectiveness—Low; Reform Priority—High)

44. This institution focuses mainly on how the government assesses the maintenance needs of major infrastructure assets as it prepares the budget. Infrastructure cannot deliver long-lasting services and benefits if it is not maintained properly. It is thus important to ensure that sufficient funding is allocated to maintenance, and that funding needs are measured through systematic methodologies.

45. There is no standardized methodology for assessing routine maintenance nor major improvement needs, and reporting on maintenance costs is incomplete. Maintenance seems to be based on a mechanical approach where maintenance contracts are renewed annually. Article 68, 75 and 90 of the Unified Building Law # 119 of 2008 stipulate that maintenance of buildings is mandatory but there is no methodology for determining maintenance needs. The Minister of Electricity and NUCA mentioned that they have a standard methodology for maintenance of capital projects, but no such document is available. For medical equipment (e.g., MRI equipment), the Ministry of Health signs a three-year maintenance contract when the equipment is purchased. Only information on routine maintenance, included in Chapter 2 of the Budget (Goods and Services) is reported. Capital maintenance is identified in the ISIPPM but is not reported in the budget documents.

46. Routine maintenance and major improvements are not receiving adequate funding. While expenditures for routine maintenance can be systematically identified in the budget, major improvements are identified but not included in the budget. The maintenance allocation in previous budgets (Table 4) is not adequate as the allocation for capital expenditure increased by 240 percent between budget years 2018/2019 and 2021/22, compared to 27 percent for maintenance. There is no published information on capital maintenance. The authorities recognize the need for more analysis and potentially more funding of maintenance needs. There is currently no analysis presented in the budget or supporting documents that compares maintenance needs to maintenance funding.

Table 4. Budget Expenditure for Maintenance

Budget expenditure (EGP million)	Actuals			Budget	
	2018/2019	**2019/2020**	**2020/2021**	**2021-2022**	**2022/2023**
Maintenance	8,045	9,807	10,629	10,243	15,111
Total expenditure	1,369,870	1,434,723	1,578,774	1,837,723	2,070,872
Capital expenditure	143,342	191,643	249,372	343,352	376,429
Maintenance in percent of capital expenditure	5.6%	5.1%	4.3%	3.0%	4.0%

Source: The Financial Statement on the State's General Budget 2022/2023.

47. **Developing standard methodologies for determining maintenance requirements for all types of infrastructure assets, and budgeting for them, is a high reform priority**. This will ensure savings over the life cycle cost of the facility. Current practices for determining routine maintenance are not credible and may result in poorly maintained facilities. A top-down approach for capital budgeting should protect adequate minimum funding for maintenance of the stock of public infrastructure. When implementing a top-down approach to the budget, it is important to increase the share of the budget directed toward maintenance and rehabilitation expenditure to prevent degradation of the existing capital stock. In the budget process, it is important to identify the level of spending required to maintain infrastructure at a steady-state level, using a regularly updated register of infrastructure assets to determine appropriate maintenance levels.

10. Project selection (Strength—Low; Effectiveness—Low; Reform Priority—High)

48. **Picking and choosing investment projects based on reliable information and through a transparent and consistent mechanism ensures that scarce public resources are used efficiently**. The selection of projects is a distinct step in the project management cycle and builds on reliable project planning and appraisal. It links the project assessment with the budget process by providing a set of prioritized projects to the budget process, which aligns investment plans with the resource envelope. To ensure that resources are used efficiently, the prioritization should be done based on consistent and comprehensive information from project appraisals, and in a consistent and transparent process, according to objective selection criteria.

49. **In Egypt, while the government is working to introduce a more consistent approach, there is not yet a comprehensive framework for project selection or to assure consistent and comprehensive project appraisals**. There are no formal requirements for a central review of project appraisals, for creating and maintaining a pipeline of appraised projects, nor for the project selection process. The annual plan under the 2030 plan provides some very high-level criteria for project selection, including policy direction and requirements on having a feasibility study, which can be seen as minimum requirements for projects to qualify for implementation but these are not sufficiently refined to allow for a technical assessment that would lead to a ranking of projects. However, there is separate guidance on how to select among climate-relevant projects, as described in the Climate PIMA report.

50. **Projects are selected in a largely ad-hoc manner during the budget process**. The government does not review and revise project appraisals in a systematic way and no documents on the review of project appraisals are available. There is no project pipeline or pool of appraised projects as projects, including the appraisal documents, are mostly submitted to the MPED at the time of budget preparation. In the absence of selection criteria, projects are selected based on their readiness and policy

priorities are introduced through various channels, including by identifying and perusing projects under the group of “mega” projects.

51. Formalizing the project selection process by ensuring consistent project appraisals and defining a selection process with clear selection criteria is a high reform priority. Introducing a consistent and formalized central review process for all projects will ensure that projects can be selected based on objective criteria and reliable information. This should provide the basis for creating a pipeline of assessed projects, that are ready for selection and implementation. Assessing projects and creating this pipeline through a continuous flow of project appraisals facilitates the preparation of the budget as the implementing entity can draw on a pool of reviewed projects. It also improves the quality of project assessment and selection as it forces the central ministry to take responsibility for the review without squeezing the review work into the budget preparation period. Objective technical criteria for project prioritization together with a defined process for policy related considerations will create transparency, improve coordination, reduce inefficiencies, and create accountability.

D. INVESTMENT IMPLEMENTATION

11. Procurement (Strength—Medium; Effectiveness—Low; Reform Priority—Medium)

52. Competitive and transparent public procurement processes can support efficiency in public investment execution. By opening up procurement opportunities to as wide a set of suppliers as possible, and by using competitive bidding, the benefits of competition, innovation and expertise are maximized. Timely and transparent reporting and established, independent procedures for dealing with procurement complaints can further support better outcomes.

53. The Public Procurement Law and associated regulations represent steps towards aligning Egypt’s public procurement system with good international practices.[14] Notable developments include solidifying the scope of application of the Law by limiting informal exclusions of competitive and transparent procurement procedures, enabling the use of e-procurement, and introducing framework agreements. The Law affirms implementation of sustainable procurement policies and practices, including promoting opportunities for small and medium-size enterprises. The Law includes provisions on institutional arrangements in procuring entities, adds a code of conduct for public officials and employees and private sector participants, addresses conflicts of interest in public procurement, and establishes an office and procedures for review of complaints from bidders. The procurement framework stipulates the creation of a public portal to be managed by the General Authority of Government Services (GAGS) to advertise procurement opportunities, award decisions, and monitor procurement plans. The procurement complaints and review process provided for in the legal framework is independent. A complaints office, reporting directly to the Minister of Finance, was created by the procurement law 182/2018 (Article 5) and organized by the Prime Minister decree # 665/2021.

54. Despite the solid procurement framework, the lack of a well-functioning database to monitor the implementation of the law is an important gap. The existing database on the government procurement portal does not cover all procurement activities and does not differentiate public investments from other procurement activities. Though publication of information on procurement opportunities and award decisions is required by law, compliance could not be verified since the use of the portal by

[14] Law no. 182 of 2018 and Regulation 692/2019.

procuring authorities is not recorded nor reported on and the quality and quantity of available data in the portal is weak. GAGS does not systematically collect, maintain, and publish information and this undermines the procurement system.. The lack of data makes it impossible to verify the degree of competitive tendering or the effectiveness of the complaints process.

55. Additional procurement reforms are a medium priority and could support greater efficiency in investment execution. Routine reporting on the performance of the procurement system, supported by appropriate technology and standard methodology will support greater transparency, build trust, facilitate competition, and enable greater efficiency in public procurement.

12. Availability of funding (Strength— Medium; Effectiveness—Medium; Reform Priority—Medium)

56. This institution addresses the systems, processes, and tools in place to ensure the availability of cash when needed to make payments for public investments. Capital spending should be committed according to reliable cash-flow forecasts, and cash should be available when needed to meet contractual obligations for payment. If payments are delayed, arrears occur. Systematic accumulation of arrears can severely affect the government's financial reputation and the costs of capital projects, and the provision of goods and services.

57. Cash flow forecasts and commitment control systems are in place, and there is a regulatory requirement for cash management. The cash management unit in the MoF prepares an annual cash plan based on the approved budget and annual projections provided by each government unit. Government units cannot commit expenditures without the approval of the MoF financial controller of the unit.[15] The MoF circular no. 14 for 2022 stipulates that all entities should provide the Financing Department of the MoF with their cash flow forecast on a monthly basis and this is used to process payments although there is no legal provision to ensure timely release of funds. The Treasury Single Account (TSA) and the centralized payment systems provide adequate controls over government cash resources. The MoF oversees all bank account balances and movements in the TSA using the e-payment system. Moreover, the Unified PFM Law no. 6 of 2022 requires that the TSA be held in the CBE, while prohibiting budget entities included in the TSA from opening bank accounts outside the TSA without prior approval from the MoF.[16] The MoF exercise *ex ante* control on all steps of the budget execution. Under the centralized model of payment implemented in Egypt, no cash is directly managed by the budget units and the ministry of finance is the sole authority allowed to process payments. Exceptions to this principle are defined by law. All commitments and obligations must be entered in the Government Financial Management Information System (GFMIS). External financing is held at the central bank but is not always part of the TSA.[17]

58. In practice, availability of funding does not seem to have negative impacts on capital spending. Ministries are provided commitment ceilings for capital projects on a quarterly basis but there

[15] Article 35 of the Unified PFM Law no. 6 of 2022. The implementing regulation of this law, regulating the commitment system was still being drafted at the time of the mission.

[16] The Ministry of Defense, the National Security Authority and their agencies operate some bank accounts outside the TSA in addition to their accounts in the TSA system in accordance with article 51 of Law no 6 of 2022. Moreover, the Minister of Finance has approved the opening of bank accounts outside the TSA for some donor and loan-funded projects (special accounts).

[17] In some cases, based on donors' agreements and council of ministers' approval, external financing could be held in commercial bank accounts.

are some cases where commitments exceeded the cash availability due to a fluctuation in the exchange rate. There is no evidence of unforeseen budget cuts imposed on government units, arrears, or delays in the availability of funds for capital outlays and no evidence of any surcharges paid by the government due to payments delays. However, the efficacy of this system mainly relies on liquidity provided by overdraft facilities at the CBE as the government maintains an overdraft facility with the CBE to cater for temporary cash shortfalls. Payment arrears are not considered as an issue by the authorities and not subject to a specific monitoring or reporting. External funding represents less than 3 percent of capital projects and all payments from donors' money are timely channeled through the CBE.

59. Efforts to improve management of cash and payments should continue as this is one of the critical aspects to ensure timely execution of projects. The MoF should compile quarterly reports on outstanding commitments and orders to pay, and the effective average delay of payments. The overdue payments should be identified as payment arrears. To strengthen cash management, the cash management unit should increase its engagement with the largest Budget Sector entities and EAs to improve the accuracy of their forecasts, as well as consider options for strengthening forecasts of smaller entities with weak forecasting capacity.

13. Portfolio Management and Oversight (Strength—Medium; Effectiveness—Medium; Reform Priority—Medium)

60. Adequate oversight of the aggregate public investment portfolio can support efficiency in investment and achievement of over-arching policy objectives. Effective portfolio management allows identification of systemic issues affecting progress in the execution of infrastructure investment, can facilitate re-allocation to expedite project delivery and can provide insights to inform improved execution in the future.

61. There are standard arrangements for monitoring project costs and physical progress. All projects are subject to desk-based oversight and more complex projects, or those which have encountered difficulty in implementation, undergo field-based monitoring by the National Investment Bank (covering both financial and physical progress). The Integrated System for Investment Plan Preparation and Monitoring (ISIPPM – see Box 6) is being developed to support monitoring in the future. The legal framework allows reallocation of funds between projects—under *General Visas for the State Budget* the Minister of Planning and Economic Development can authorize increased allocations for individual investments under a number of circumstances, including where some projects are progressing ahead of schedule. Transfers are limited to certain classes of expenditure and capped at 10 percent of the total appropriation for the agency. There is no formal requirement for ex-post review of major projects and there is no system-wide mechanism for capturing lessons-learned from completed projects to improve delivery of future investments.

Box 6. Integrated System for Investment Plan Preparation and Monitoring

The ISIPPM has been developed by MPED over the five years to support enhanced public investment planning and execution. At present the system covers over 10,000 projects. The portfolio has an estimated capital delivery cost of EGP 3.8 trillion and forecast outlay of over EGP 800 billion in the fiscal year 2022/2023. The system is linked to the Government Financial Management Information System maintained by the MoF.

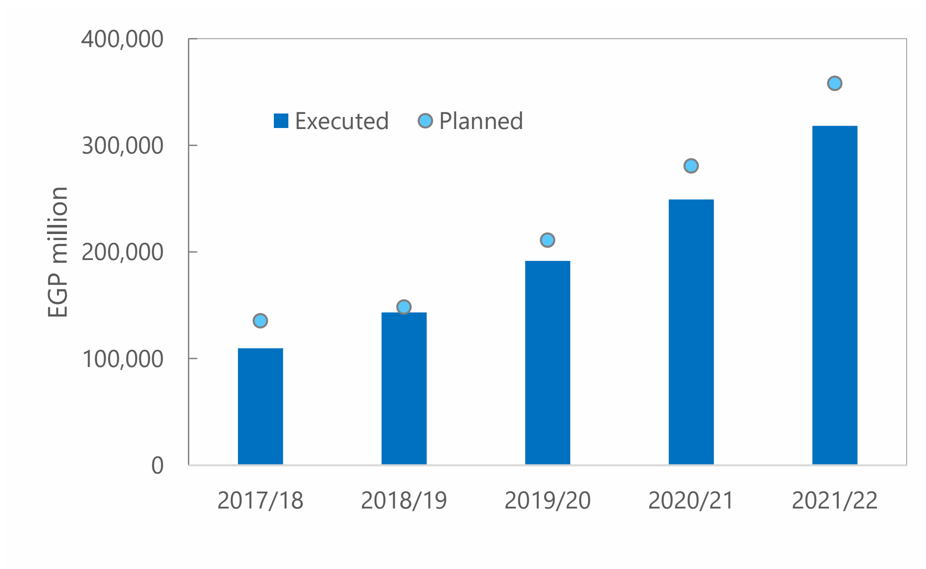
The ISIPPM features three modules:

1. Social and Development Plan Preparation.
2. Investment Funds Reallocation.
3. Monitoring and Evaluation.

The introduction and progressive development of the system has been accompanied by a series of training programs. To date these have focused on conducting feasibility studies as part of project preparation. The ISIPPM will be fundamental to future monitoring and evaluation of the public investment portfolio, supported by the National Investment Bank.

62. **Monitoring is concentrated on individual projects and does not consider overall trends in the agency, ministerial or national portfolio**. This limits the understanding of systemic issues in investment execution such as patterns of cost or schedule performance, supply chain or labor market challenges and other portfolio-wide developments. It is planned to use the ISIPPM to support portfolio management and oversight at aggregate level in future. There is some evidence of reallocation between projects and budget execution as a share of planned investment has averaged over 90 percent over the last five years (Figure 22). In practice, ex-post reviews are undertaken in some sectors. For example, in the energy sector, governance procedures were recently updated to include a new commercial assessment of the preferred option prior to selection—this was a direct result of the findings of an ex-post review.

Figure 22. Budget Execution as a Share of Planned Investment



Source: MoF data

63. **There is a clear opportunity to improve management of the aggregate public investment program through over-arching monitoring and formalized post project reviews.** The full roll-out of the ISIPPM should support regular monitoring of trends in cost, schedule and benefits performance across the portfolio and should be used to identify emerging risks and opportunities for public investment execution. Post-project reviews should be considered an intrinsic part of the investment life cycle and findings should be used to enhance investment governance in the future. In addition to assessing the degree to which project outturns are delivered in line with target cost, schedule and benefits, post-project reviews can assess whether processes were followed during investment preparation and execution. It is also important to capture and document lessons learned before the project structure is dismantled and the project team is dispersed. See Box 7 for good practice in post project reviews.

Box 7. Good Practice in Post Project Reviews and Acting on Findings

Many countries have formal requirements for ex-post review of major projects and this step is considered a core phase of the investment life cycle. Examples include:

- Infrastructure Australia has issued detailed requirements for post completion review.[18] Required information includes forecast and outturn data on cost, schedule and benefits, key findings from interviews with the project delivery team and the approach and timing for communicating findings and recommendations for future projects.
- In the UK, the Green Book documents requirements for ex-post evaluation, covering both process evaluation and impact evaluation.[19] The Infrastructure and Projects Authority undertakes periodic reviews of completed projects to distil lessons learned and improve future project delivery. In 2019 the Infrastructure and Projects Authority documented 24 lessons from close review of four transport megaprojects with application for major public projects in all sectors of public investment.[20]
- In Ireland, a review of problems in the construction of the National Children's Hospital recommended reforms of the governance process for public investment projects. This directly informed changes to the Public Spending Code – the requirements for evaluation, planning and management of public investment. Adjustments included new arrangements for project governance, risk management and cost forecasting.[21]

14. Management of project implementation (Strength—Low; Effectiveness—Low; Reform Priority—High)

64. **Effective project implementation is required to realize the full benefits of public investment.** Clear guidance for project and program management and established procedures for taking action on projects in difficulty support better outcomes (see Box 8 for an example of good practice in

[18] Infrastructure Australia (2019) Post Completion Review – Stage 4 of the Assessment Framework.

[19] UK Treasury (2022). The Green Book, Appraisal and Evaluation in Central Government

[20] UK IPA and Department for Transport (2019) Lessons from Transport for the Sponsorship of Major Projects.

[21] Ireland Department of Public Expenditure and Reform (2019) The Public Spending Code: A Guide to Evaluating, Planning and Managing Public Investment

project implementation guidance from New Zealand). Regular and independent audit provides oversight and can identify common problems and solutions in infrastructure governance and delivery.

65. **There is some central guidance for project implementation but specific procedures relating to implementation plans, project adjustment and ex-post audit are lacking.** There is no legal or regulatory requirement for identifying responsible project owners/managers or for establishing implementation plans prior to approval. The law governing the ASA provides for ex-post project reviews, however, there are no explicit arrangements for publication.

Box 8. Project Implementation Guidance in New Zealand

New Zealand's Infrastructure Commission has set out guidance for the execution of major projects with a particular focus on project governance, roles and responsibilities.[22] The procedures differentiate between the following roles in the successful delivery of public investment projects:

- The Senior Responsible Owner (SRO), provides project leadership, owns the business case and is responsible and accountable for project success.
- The Project Governance Board Chair, often the SRO.
- The Project Governance Board is responsible for providing strategic direction, monitoring the project and making important decisions and/or recommendations to the SRO and responsible Ministers.
- The Project Director leads and manages the project team on a day-to-day basis. Reporting to the SRO or Project Governance Board, the Director is responsible for supporting organizational change management, managing key relationships and motivating the team. Responsible for reporting and preparation of key project documentation and managing progress and budget.
- The Project Team is responsible for completing tasks and activities required for delivering project objectives against the approved project scope, budget and schedule.

The guidance establishes a hierarchy of delegated decision-making and requirements for ongoing reporting, risk management, assurance and probity.

66. **Implementation procedures vary sharply in practice.** In most sectors there are no fixed arrangements for documenting implementation plans or designating the senior official responsible for delivery in advance of project approval. The energy sector is an exception where there are standard sectoral project management guidelines and accountable project managers are generally in place before project approval. Between 2019 and 2021 a cross-government committee of senior representatives was convened to resolve problems encountered by a number of major projects, but in general project adjustment proposals are not systematically documented. Line Ministries report that project cancelation is only considered in the most extreme cases. The ASA has some monitoring and review systems in place - prioritizing loan-funded projects—but reports are not published or publicly scrutinized by parliament and do not constitute ex-post audit.

[22] New Zealand Infrastructure Commission, Te Waihanga (2019) Major infrastructure Project Governance Guidance.

67. It is a high priority to establish more standardized procedures for project implementation. MPED's project and program management guidelines[23] can be bolstered by rules requiring the appointment of SROs and agreement of specific project implementation plans prior to approval. The Authorities should establish set procedures for triggering the review of major projects and document the steps to be taken to review and adjust projects, including major scope change or termination where warranted. The ASA should adopt a policy to undertake ex-post audit of major investment projects, publish findings and follow-up on recommendations and lessons learned. See Box 9 as an example of good practice in ex-post audit from the independent audit of public investment in Scotland.

Box 9. Independent Audit of Public Investment in Scotland

Audit Scotland audits 227 public bodies across Scotland. Its mandate includes examining expenditure on public investment and infrastructure by organizations such as Transport for Scotland, the Scottish Environmental Protection Agency, Scottish Water and local councils. Audit Scotland has conducted and published a series of audits of discrete investment projects and wider programs such as major transport infrastructure, alternative financing methods, sustainable transport, climate change and energy.

Recent public investment audit subjects are as follows:[24]

- Privately financed infrastructure investment (2020)
- Scotland's City Region and Growth Deals (2020)
- The Forth Replacement Crossing (2018)
- Review of Major Capital Projects in Scotland (2018)
- Superfast Broadband for Scotland (2018)
- Major Capital Investment in Councils (2016)

Importantly, the results and recommendations of these audits have been distilled into good practice checklists for future public investment management at both the national and local council level.

15. Monitoring of public assets (Strength—Medium; Effectiveness—Low; Reform Priority—Medium)

68. Monitoring of public assets creates feedback loops that circle back information that are useful inputs to the various stages of the PIM cycle. While countries usually fare better in the formulation of fiscal policy and national and sectoral plans, significant gaps in monitoring physical assets may negatively affect the achievement of these fiscal targets and plans. Decisions on the selection of new capital projects and the implementation of maintenance activities on existing infrastructure require knowledge on the condition of existing assets to ensure effective and efficient use of budgetary resources. Comprehensive and regularly updated asset registers and accurate recording of nonfinancial

[23] MPED Project, Program and Performance Work Manual

[24] Full reports are published on Audit Scotland website.

assets in government financial accounts are particularly helpful information that give a clearer view of the status of assets and their maintenance needs.

69. Legal and regulatory requirements are established to ensure that the value of physical assets is properly accounted for and reported. As a general principle, the legal framework directs administrative entities to disclose financial and nonfinancial information, financial statements, and final accounts. Specifically, it prescribes the recording of nonfinancial assets in separate memorandum accounts at the actual cost of all supplies and works. In addition, the entities are mandated to prepare and periodically update a record of all its fixed assets, which must show the value of each asset and stock at the end of the fiscal year. Financial statements and final account are required to include an annex where the assets and stock are described.

70. Despite the relative strength of the institutional design, actual asset monitoring practices leave much room for improvement. Line ministries and local administrations are expected to be responsible for the maintenance of asset registers as owners. While this is not an uncommon practice, central oversight or guidance is inadequate to ensure the comprehensiveness, quality and accessibility of asset registers and government financial accounts. This ultimately casts doubt on the accounting and the reporting of the assets' value.

- **Information on the government's nonfinancial assets is kept in a widely decentralized network of asset registers that vary in practices.** Many entities, especially those at the local administration level, manually update their respective registers at intervals of three years or more. The Ministry of Information and Communication is setting up a digital state property management system across the government, but completion may take several years to cover the numerous entities at all levels of government.

- **The coverage of nonfinancial assets included in publicly available financial accounts is not comprehensive.** The government's financial reports show only the purchase of nonfinancial assets, but not the stock. While the financial statements of entities outside the budgetary sector include information on the value of nonfinancial assets they hold, it is unclear whether these values consolidated in the financial accounts. Assessing comparability is infeasible due to uneven practices among dispersed asset registers that, if at all, undertake revaluation irregularly. The unavailability of audit reports of the ASA also contributes to the difficulty of ascertaining whether the nonfinancial assets' value is accurately described in the financial accounts.

- **Depreciation is typically not recorded in the government's operating statements.** The depreciation of some nonfinancial assets is sometimes captured when the asset is held by certain entities that follow the Egyptian Accounting Standards (EAS), which require accounting for depreciation. However, these entities are limited to Public Business Sector Companies (PBSCs) where the EAS serves as a set of standards complementary to the government's accounting framework.

71. Priority should be given to strengthening central oversight of asset registers. This is necessary to ensure comprehensiveness of coverage, periodicity of updating, and flow of information, regardless of whether the digital system is fully operational. Filling in gaps in the legal requirements may be needed to assist the oversight function, which must be either clarified or coordinated between the MoF or MPED.

Section IV. Cross-cutting Issues

A. LEGAL FRAMEWORK

72. The legal framework compounds the confusion among legal mandates, the fragmentation of institutional arrangements and inconsistencies in the procedures. The overarching framework consists of the newly promulgated laws on PFM and State planning, which separately distribute the responsibilities among the MoF and MPED. The laws assign the functions of planning for investments to MPED and planning for all other expenditure to MoF. In practice, the division of labor between the MoF and MPED is somewhat superficial, with a sizeable portion of the public investment being planned and undertaken by economic authorities, that tend to exercise relative flexibility in adherence to the general framework due to their distinct legal personalities and own founding laws. The PFM and Planning laws do not definitively subject these entities to its scope, and even provide the possibility of exclusion from the institutional coverage. These gaps in the legal framework are mitigated by the coordination between the economic authorities on the one hand, the MoF, the MPED and, where relevant, the supervising ministry on the other. However, such coordination is not formalized at a statutory level.

73. Some key legal provisions are contained in annual budget laws or in other secondary legislation, posing risks to the robustness of the institutional design and the effectiveness of implementation. The new PFM and State planning laws reflect some recent policy developments (e.g., medium-term budget planning, more stringent requirements for contingency reserves). However, these laws left out some existing practices that have been incorporated in the general provisions of annual budget laws that are aimed at ensuring the production of planned outputs and the achievement of expected outcomes (e.g., reallocations, termination in specific circumstances). While these provisions have been consistently adopted in the annual budget laws over the past years, it would be desirable to ensure stability and certainty to these mechanisms through executive regulations, given that amendment of these newly promulgated laws might not be feasible at this stage. Relatedly, the existence of multiple committees in the planning process could lead to inadequate coordination among entities and suboptimal decisions on appraisal and financing. These committees are created by governmental decisions that are mostly unpublished. To reduce the opacity of the legal framework and foster accountability, decisions to create committees should be publicly accessible. This would also facilitate the identification of the universe of these committees, which could then be used to guide the streamlining of the institutional and governance framework.

74. The adoption of executive regulations and other guidelines are necessary to implement some provisions of the new PFM and State planning laws. Although the new laws have been enacted only in the current year, the formalistic legal tradition of Egypt reveals the urgency of establishing secondary legislation to define roles, standardize criteria, and streamline procedures. Another specific aspect that could benefit from the issuance of rules and other legal documents relates to the maintenance of physical assets. For example, technical guidance on maintenance methodologies of road infrastructure appears to be absent, merely relying on the intuition of project managers.

B. IT SYSTEMS AND DATA MANAGEMENT

75. IT systems for PFM consist of two systems managed by MoF. The GFMIS, and the TSA/e-Payment.

- The GFMIS is an electronic system (Oracle) connecting all public government agencies and containing all the functions of PFM from the financial and accounting operations that take place in all stages of budget preparation and implementation, starting from the strategic planning stage and ending with the accounting and reporting stage.

- The TSA bank account system is mirrored by a treasury ledger system (e-payment system) with 'virtual' accounts for all TSA entities at the level of accounting units. Data in the e-payment system is automatically reconciled daily to bank data. The e-payment system has electronic links to both the GFMIS and the CBE.

76. The Integrated System for Investment Plan Preparation and Monitoring (ISIPPM) has been recently developed by MPED and is specific to public investment management. The ISIPPM, as described in Box 6, is an online platform where units of the government are requested to enter their capital projects. It consists of three main modules: social and development plan preparation, investment funds reallocation, and monitoring and evaluation (including field and desk monitoring components). A process flow was prepared with the support of the USAID on how to link this system with the GFMIS, and an interface has been developed.

77. The ISIPPM does not currently provide full information required for managerial decisions in a number of key areas, and in particular in public investment management (PIM). The full cost of the project and the requested budget for the next fiscal year have to be entered, however there is no requirement to enter the estimated budget for the outer years (e.g., year 2 to year 5). This will undermine the effectiveness of the MTBF that will have to be implemented as required in the unified PFM Law. There is no centralized asset register, which would include information on the condition of the asset and thus guide maintenance planning. In addition, an asset register would be the basis for generating balance sheets as part of the financial statements.

78. Other PIM modules and application were recently developed. The Government Program Performance Monitoring System (GPPMS) used to monitor the government program using KPIs; and Sharek 2030, a mobile application launched in December 2019 to raise public awareness about development programmes and to collect proposals from citizens on the local needs.

C. CAPACITY

79. Significant gaps in capacity are contributing to the identified weaknesses in institutional strength and effectiveness of Public Investment Management in Egypt. While capacity is available across all relevant government entities and considered relatively strong at the MoF and MPED, it is more heterogeneous across line ministries and other budget entities. The core areas for future development fall into three clusters:

- project preparation and assessment by line ministries and for review by MPED;
- costing, selection, and budgeting processes for major projects by the MPED and MoF; and

- project management, execution control, and ex-post review by all entities involved (MPED and line ministries).

80. Improvements in capacity in the above areas could be supported by the following activities: (1) establishing guidelines for the appropriate methodologies and techniques wherever they are lacking; (2) adopting standardized practices and procedures across the project cycle; and (3) undertaking thorough project appraisals, particularly in the case of large, complex projects where specialist knowledge is needed or innovative financing methods, are proposed. Capacity in these areas can be provided by engaging external experts/consultants to provide technical support for conducting studies, quality assurance, and ex post evaluation, with a clear aim to build and consolidate this type of expertise within relevant government entities. .

81. Further capacity development efforts will be needed for Egypt's transition to medium-term budgeting, as well as new arrangements strengthening coordination between MoF and MPED. The Macro Fiscal Policy Unit (MFPU) would need to be strengthened to produce and publish a MTFF, on the basis of which the Budget Department can build the MTBF, and its associated documentation. This would require developing skills such as macro-fiscal forecasting, analysis of forecasting errors, and report writing. It would also require stronger coordination between the budget department and the MFPU, and more broadly between the MoF and MPED. Line ministries will also need to be trained in the new framework and so, the development of standardized methodologies would prove particularly valuable at this stage.

RECOMMENDATIONS

Issue 1: Project appraisal and approval processes. Project appraisal, approval and selection arrangements are ad hoc and inadequate to ensure value for money in public investment.

Recommendation 1: Strengthen project appraisal and selection processes:

- Issue executive regulation to set the requirements for appraisal, planning and implementation at each stage of public investment projects.
- Publish project appraisal methodology, including risk analysis.
- Establish procedure for project appraisal review and assurance as part of approval process.
- Define clear and transparent criteria and process for project selection.

Issue 2: Alternative infrastructure finance. Regulatory structures do not sufficiently facilitate private sector involvement in infrastructure provision.

Recommendation 2: Enable private sector involvement in public infrastructure provision:

- Further deregulate markets, with fully independent regulators.
- Ensure that all PPPs are consistently integrated with the budget and their fiscal implications reflected in headline fiscal indicators.

Issue 3: Budgeting for investment. Short-term budgetary cycle militates against effective planning. There is insufficient detail in budgetary documentation, ambiguity over sub-national funding and uncertainty on cash availability.

Recommendation 3: Operationalize PFM law provisions for medium-term budgeting:

- Publish medium-term capital budget and annual public sector investment plan with detail on project costs, funding and responsible delivery agency.
- Formalize mechanisms for distribution of resources to sub-national government entities.
- Work with spending entities to improve accuracy of cash needs forecasting.

Issue 4: Asset protection. The absence of consolidated asset registers and standard procedures for maintenance funding undermines asset durability.

Recommendation 4: Strengthen asset management and ensure sufficient maintenance:

- Consolidate asset registers for government entities.
- Establish standardized methodologies for assessment of maintenance needs and funding.
- Provide transparent reporting on maintenance spending in budgets and accounts.

Issue 5: Implementation and monitoring. There are no standard arrangements for management of project implementation and monitoring is concentrated on individual projects.

Recommendation 5: Strengthen procurement, project and portfolio management:

- Develop an electronic government procurement system. Deploy standard diagnostic tool Methodology to Assess Procurement System (MAPS) to evaluate operation of the system and publish regular, timely reports.
- Establish a standardized project management model for government investment projects.
- Use the ISIPPM to track key developments in cost, schedule and benefits and identify risks and opportunities across the portfolio.
- Undertake ex-post review of major projects as standard.
- Mandate ASA to undertake and publish audits of major investment projects.

APPENDIX 1. ACTION PLAN

Actions	2023	2024	2025	Responsible Agency	TA support: Y/N, Agency
Recommendation 1: Strengthen project appraisal and selection (Priority: High)					
Issue regulation to set the requirements for appraisal, planning and implementation at each stage of public investment projects.	Issue Executive Regulation to planning law specifying approvals process from project concept, appraisal, planning and design, implementation, and ex-post review stages.			MPED	
Develop project appraisal methodology, including risk analysis	Initiate development of appraisal methodology.	Publish and apply general methodology for project appraisal.	Publish and apply sector-specific methodologies.	MoF, MPED, line ministries.	USAID.
Separate central project review from budget process	Include separate project review step in planning law executive regulation.	Establish project review framework and pilot project reviews prior to budget submissions. Document and publish review results.	Institutionalize project gateway reviews at each stage of the project lifecycle.	MoF, MPED	World Bank
Define clear and transparent criteria and process for project selection	Include requirements for transparent project selection in planning law executive regulations.	Define criteria and process for project selection in project appraisal methodology. Create a project pipeline that includes all projects that have been positively assessed with clear rules for selection.	Initiate project assurance process to validate cost, risk and benefit assumptions.	MoF, MPED	World Bank
Recommendation 2: Facilitate private sector involvement in public infrastructure provision (Priority: Medium)					
Further liberalize and deregulate markets, with fully independent regulators.	Commence process to separate economic regulators from line ministries and make legally independent.	Design and introduce price regulation in natural monopoly sectors.	Unbundle production, transition, and distribution of all commercial utilities, including electricity and gas	MPED, MoF, MPSB, line ministries	World Bank
Ensure that all PPPs are consistently integrated with the budget and their fiscal implications reflected in headline fiscal indicators.		Include PPPs in medium-term capital budget and annual capital plan (see Rec 3).	Provide information on fiscal implications of PPPs on headline fiscal indicators, including government and public liabilities.	MoF, MPED	

Recommendation 3: Operationalize PFM law provisions for medium-term budgeting (Priority: High)					
Publish medium-term capital budget and public sector investment plan.	Enact Executive Regulations to operationalize multi-annual budget framework, including the MTFF Set indicative capital ceilings for each entity Present detailed information on project costs, funding and responsible delivery agency.	Monitor outturns against ceilings and reconcile any divergence Annually update medium-term ceilings on a rolling basis Ensure consistency between budget documentation and ISIPPM coverage.	Update plan and outturn data annually.	MPED, MoF	IMF
Formalize mechanisms for distribution of resources to sub-national government entities.	Issue an Executive Regulation enacting a financing equation for SNGs. Define (i) all determinants of the financing equation; and (ii) the date before the start of each fiscal year where SNGs will be informed of the expected transfers.	Review operation and update accordingly.	Review operation and update accordingly.		
Work with spending entities to improve accuracy of cash needs forecasting.	Compile quarterly reports on outstanding commitments and orders to pay, and the effective average delay of payments	Engage with key investment entities (Ministries, EAs) to improve accuracy of cash forecasting.	Deliver targeted training where required.	MoF	IMF
Recommendation 4: Strengthen asset management and ensure sufficient maintenance (Priority: Medium)					
Consolidate asset registers for government entities.	Determine set standards to guide the production of asset registers for each Ministry and EA.	Consolidate into overall national infrastructure asset register.	Review and expand coverage including assessment of impact of climate change on the public capital stock.	MoF, MPED, EAs, Line Ministries	USAID
Implement methodologies to determine maintenance needs and funding.	Develop standardized methodologies for estimating routine and capital maintenance needs across key investment sectors	Test and refine sectoral methodologies for determination of maintenance needs.		MoF, Line Ministries	
Provide transparent reporting on maintenance spending in budgets and accounts.	In the medium-term capital budget and annual capital plan, separately set out funding for routine and capital maintenance.	Update annually and reconcile any divergence between budgets and outturns.	Update annually and reconcile any divergence between budgets and outturns.	MoF, Line Ministries	

Recommendation 5: Strengthen procurement, project and portfolio management (Priority: High)					
Strengthen procurement by developing an electronic government procurement system. Deploy standard diagnostic tool and evaluate operation of the system and publish regular, timely reports.		Develop an electronic government procurement (e-GP) system	Identify strengths and weaknesses of the public procurement system, (ii) Providing an analytical basis for concrete, targeted reforms, and (iii) Ensuring effective implementation of the reforms by identifying priorities and developing action plans		
Establish a standardized project management model for government investment projects.	Set PM requirements including arrangements for governance, reporting, roles and responsibilities, stakeholder management, risk management.	Determine criteria to trigger review of projects in difficulty. Document arrangements for review and project adjustment, up to and including project cancelation where warranted.	Develop and roll-out programs of training for various project roles.	MPED	World Bank
Use the ISIPPM to monitor performance of the public investment portfolio	Track key developments in cost, schedule and benefits and identify risks and opportunities across the portfolio. Use data to inform reallocations to expedite delivery.	Prepare and publish standard, timely reports on overall trends across the portfolio.	Expand coverage of portfolio monitoring to include outturn data on completed projects.		
Undertake ex-post review of major projects as standard.	Mandate ex-post review.	Publish guidance on completion of ex-post reviews. Pilot the review process on a number of recently completed major projects.	Use findings of pilot reviews to refine project appraisal, selection and implementation procedures.		
Mandate ASA to undertake and publish audits of major investment projects.	Update legal framework to explicitly provide for ex-post audit of major projects based on set criteria (for example total cost). Publish reports.		Review findings from audits and use to inform changes to appraisal and project management procedures.		

APPENDIX 2. PIMA Questionnaire

A. Planning Sustainable Levels of Public Investment				
1. Fiscal targets and rules: Does the government have fiscal institutions to support fiscal sustainability and to facilitate medium-term planning for public investment?				
1.a.	Is there a target or limit for government to ensure debt sustainability?	There is no target or limit to ensure debt sustainability.	There is at least one target or limit to ensure central government debt sustainability.	There is at least one target or limit to ensure general government debt sustainability.
1.b.	Is fiscal policy guided by one or more permanent fiscal rules?	There are no permanent fiscal rules.	There is at least one permanent fiscal rule applicable to central government.	There is at least one permanent fiscal rule applicable to central government, and at least one comparable rule applicable to a major additional component of general government, such as subnational government (SNG).
1.c	Is there a medium-term fiscal framework (MTFF) to align budget preparation with fiscal policy?	There is no MTFF prepared prior to budget preparation.	There is an MTFF prepared prior to budget preparation but it is limited to fiscal aggregates, such as expenditure, revenue, the deficit, or total borrowing.	There is an MTFF prepared prior to budget preparation, which includes fiscal aggregates and allows distinctions between recurrent and capital spending, and ongoing and new projects.
2. National and Sectoral Planning: Are investment allocation decisions based on sectoral and inter-sectoral strategies?				
2.a.	Does the government prepare national and sectoral strategies for public investment?	National or sectoral public investment strategies or plans are prepared, covering only some projects found in the budget.	National or sectoral public investment strategies or plans are published covering projects funded through the budget.	Both national and sectoral public investment strategies or plans are published and cover all projects funded through the budget regardless of financing source (e.g. donor, public corporation (PC), or PPP financing).
2.b.	Are the government's national and sectoral strategies or plans for public investment costed?	The government's investment strategies or plans include no cost information on planned public investment.	The government's investment strategies include broad estimates of aggregate and sectoral investment plans.	The government's investment strategies include costing of individual, major investment projects within an overall financial constraint.
2.c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	Sector strategies do not include measurable targets for outputs or outcomes.	Sector strategies include measurable targets for outputs (e.g., miles of roads constructed).	Sector strategies include measurable targets for both outputs and outcomes (e.g., reduction in traffic congestion).

3. Coordination between Entities: Is there effective coordination of the investment plans of central and other government entities?				
3.a.	Is capital spending by SNGs, coordinated with the central government?	Capital spending plans of SNGs are not submitted to, nor discussed with central government.	Major SNG capital spending plans are published alongside central government investments, but there are no formal discussions, between the central government and SNGs on investment priorities.	Major SNG capital spending plans are published alongside central government investments, and there are formal discussions between central government and SNGs on investment priorities.
3.b	Does the central government have a transparent, rule-based system for making capital transfers to SNGs, and for providing timely information on such transfers?	The central government does not have a transparent rule-based system for making capital transfers to SNGs.	The central government uses a transparent rule-based system for making capital transfers to SNGs, but SNGs are notified about expected transfers less than six months before the start of each fiscal year.	The central government uses a transparent rule-based system for making capital transfers to SNGs, and expected transfers are made known to SNGs at least six months before the start of each fiscal year.
3.c	Are contingent liabilities arising from capital projects of SNGs, PCs, and PPPs reported to the central government?	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are not reported to the central government.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, but are generally not presented in the central government's budget documents.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, and are presented in full in the central government's budget documents.
4. Project Appraisal: Are project proposals subject to systematic project appraisal?				
4.a.	Are major capital projects subject to rigorous technical, economic, and financial analysis?	Major capital projects are not systematically subject to rigorous, technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis.	Major projects are systematically subject to rigoroux`s technical, economic, and financial analysis, and selected results of this analysis are published or undergo independent external review.
4.b.	Is there a standard methodology and central support for the appraisal of projects?	There is no standard methodology or central support for project appraisal.	There is either a standard methodology or central support for project appraisal.	There is both a standard methodology and central support for project appraisal.
4.c.	Are risks taken into account in conducting project appraisals?	Risks are not systematically assessed as part of the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal, and plans are prepared to mitigate these risks.

5.	**Alternative Infrastructure Financing: Is there a favorable climate for the private sector, PPPs, and PCs to finance in infrastructure?**			
5.a.	Does the regulatory framework support competition in contestable markets for economic infrastructure (e.g., power, water, telecoms, and transport)?	Provision of economic infrastructure is restricted to domestic monopolies, or there are few established economic regulators.	There is competition in some economic infrastructure markets, and a few economic regulators have been established.	There is competition in major economic infrastructure markets, and economic regulators are independent and well established.
5.b.	Has the government published a strategy/policy for PPPs, and a legal/regulatory framework which guides the preparation, selection, and management of PPP projects?	There is no published strategy/policy framework for PPPs, and the legal/regulatory framework is weak.	A PPP strategy/policy has been published, but the legal/regulatory framework is weak.	A PPP strategy/policy has been published, and there is a strong legal/regulatory framework that guides the preparation, selection, and management of PPP projects.
5.c.	Does the government oversee the investment plans of public corporations (PCs) and monitor their financial performance?	The government does not systematically review the investment plans of PCs.	The government reviews the investment plans of PCs but does not publish a consolidated report on these plans or the financial performance of PCs.	The government reviews and publishes a consolidated report on the investment plans and financial performance of PCs.
B.	**Ensuring Public Investment is Allocated to the Right Sectors and Projects**			
6.	**Multi-Year Budgeting: Does the government prepare medium-term projections of capital spending on a full cost basis?**			
6.a.	Is capital spending by ministry or sector forecasted over a multiyear horizon?	No projections of capital spending are published beyond the budget year.	Projections of total capital spending are published over a three to five-year horizon.	Projections of capital spending disaggregated by ministry or sector are published over a three to five-year horizon.
6.b	Are there multiyear ceilings on capital expenditure by ministry, sector, or program?	There are no multiyear ceilings on capital expenditure by ministry, sector, or program.	There are indicative multiyear ceilings on capital expenditure by ministry, sector, or program.	There are binding multiyear ceilings on capital expenditure by ministry, sector, or program.
6.c.	Are projections of the total construction cost of major capital projects published?	Projections of the total construction cost of major capital projects are not published.	Projections of the total construction cost of major capital projects are published.	Projections of the total construction cost of major capital projects are published, together with the annual breakdown of these cost over a three-five-year horizon.

7.	**Budget Comprehensiveness and Unity: To what extent is capital spending, and related recurrent spending, undertaken through the budget process?**			
7.a.	Is capital spending mostly undertaken through the budget?	Significant capital spending is undertaken by EBEs with no legislative authorization or disclosure in the budget documentation.	Significant capital spending is undertaken by EBEs, but with legislative authorization and disclosure in the budget documentation.	Little or no capital spending is undertaken by EBEs.
7.b.	Are all capital projects, regardless of financing source, shown in the budget documentation?	Capital projects are not comprehensively presented in the budget documentation, including PPPs, externally financed, and PCs' projects.	Most capital projects are included in the budget documentation, but either PPPs, externally financed, or PCs' projects are not shown.	All capital projects, regardless of financing sources, are included in the budget documentation.
7.c	Are capital and recurrent budgets prepared and presented together in the budget?	Capital and recurrent budgets are prepared by separate ministries, and/or presented in separate budget documents.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, but without using a program or functional classification.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, using a program or functional classification.
8.	**Budgeting for Investment: Are investment projects protected during budget implementation?**			
8.a.	Are total project outlays appropriated by the legislature at the time of a project's commencement?	Outlays are appropriated on an annual basis, but information on total project costs is not included in the budget documentation.	Outlays are appropriated on an annual basis, and information on total project costs is included in the budget documentation.	Outlays are appropriated on an annual basis and information on total project costs, and multiyear commitments is included in the budget documentation.
8.b	Are in-year transfers of appropriations (virement) from capital to current spending prevented?	There are no limitations on virement from capital to current spending.	The finance ministry may approve virement from capital to current spending.	Virement from capital to current spending requires the approval of the legislature.
8.c	Is the completion of ongoing projects given priority over starting new projects?	There is no mechanism in place to protect funding of ongoing projects.	There is a mechanism to protect funding for ongoing projects in the annual budget.	There is a mechanism to protect funding for ongoing projects in the annual budget and over the medium term.

9. Maintenance Funding: Are routine maintenance and major improvements receiving adequate funding?				
9.a	Is there a standard methodology for estimating routine maintenance needs and budget funding?	There is no standard methodology for determining the needs for routine maintenance.	There is a standard methodology for determining the needs for routine maintenance and its cost.	There is a standard methodology for determining the needs for routine maintenance and its cost, and the appropriate amounts are generally allocated in the budget.
9.b	Is there a standard methodology for determining major improvements (e.g. renovations, reconstructions, enlargements) to existing assets, and are they included in national and sectoral investment plans?	There is no standard methodology for determining major improvements, and they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, but they are not included in national or sectoral plans.	There is a standard methodology for determining major improvements, and they are included in national or sectoral plans.
9.c	Can expenditures relating to routine maintenance and major improvements be identified in the budget?	Routine maintenance and major improvements are not systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget.	Routine maintenance and major improvements are systematically identified in the budget and are reported.
10. Project Selection: Are there institutions and procedures in place to guide project selection?				
10.a	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	Major projects (including donor- or PPP-funded) are not reviewed by a central ministry prior to inclusion in the budget.	Major projects (including donor- or PPP-funded) are reviewed by a central ministry prior to inclusion in the budget.	All major projects (including donor- or PPP-funded) are scrutinized by a central ministry, with input from an independent agency or experts prior to inclusion in the budget.
10.b	Does the government publish and adhere to standard criteria, and stipulate a required process for project selection?	There are no published criteria or a required process for project selection.	There are published criteria for project selection, but projects can be selected without going through the required process.	There are published criteria for project selection, and generally projects are selected through the required process.
10.c	Does the government maintain a pipeline of appraised investment projects for inclusion in the annual budget?	The government does not maintain a pipeline of appraised investment projects.	The government maintains a pipeline of appraised investment projects, but other projects may be selected for financing through the annual budget.	The government maintains a comprehensive pipeline of appraised investment projects, which is used for selecting projects for inclusion in the annual budget, and over the medium term.

C. Delivering Productive and Durable Public Assets				
11. Procurement				
11.a	Is the procurement process for major capital projects open and transparent?	Few major projects are tendered in a competitive process, and the public has limited access to procurement information.	Many major projects are tendered in a competitive process, but the public has only limited access to procurement information.	Most major projects are tendered in a competitive process, and the public has access to complete, reliable and timely procurement information.
11.b	Is there a system in place to ensure that procurement is monitored adequately?	There is no procurement database, or the information is incomplete or not timely for most phases of the procurement process.	There is a procurement database with reasonably complete information, but no standard analytical reports are produced from the database.	There is a procurement database with reasonably complete information, and standard analytical reports are produced to support a formal monitoring system.
11.c	Are procurement complaints review process conducted in a fair and timely manner?	Procurement complaints are not reviewed by an independent body.	Procurement complaints are reviewed by an independent body, but the recommendations of this body are not produced on a timely basis, nor published, nor rigorously enforced.	Procurement complaints are reviewed by an independent body whose recommendations are timely, published, and rigorously enforced.
12. Availability of Funding: Is financing for capital spending made available in a timely manner?				
12.a	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?	Cash-flow forecasts are not prepared or updated regularly, and ministries/agencies are not provided with commitment ceilings in a timely manner.	Cash-flow forecasts are prepared or updated quarterly, and ministries/agencies are provided with commitment ceilings at least a quarter in advance.	Cash-flow forecasts are prepared or updated monthly, and ministries/agencies are provided with commitment ceilings for the full fiscal year.
12.b	Is cash for project outlays released in a timely manner?	The financing of project outlays is frequently subject to cash rationing.	Cash for project outlays is sometimes released with delays.	Cash for project outlays is normally released in a timely manner, based on the appropriation.
12.c	Is external (donor) funding of capital projects fully integrated into the main government bank account structure?	External financing is largely held in commercial bank accounts outside the central bank.	External financing is held at the central bank but is not part of the main government bank account structure.	External financing is fully integrated into the main government bank account structure.

13. Portfolio Management and Oversight: Is adequate oversight exercised over implementation of the entire public investment portfolio				
13.a	Are major capital projects subject to monitoring during project implementation?	Most major capital projects are not monitored during project implementation.	For most major projects, annual project costs, as well as physical progress, are monitored during project implementation.	For all major projects, total project costs, as well as physical progress, are centrally monitored during project implementation.
13.b	Can funds be re-allocated between investment projects during implementation?	Funds cannot be re-allocated between projects during implementation.	Funds can be reallocated between projects during implementation, but not using systematic monitoring and transparent procedures.	Funds can be re-allocated between projects during implementation, using systematic monitoring and transparent procedures.
13.c	Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?	Ex post reviews of major projects are neither systematically required, nor frequently conducted.	Ex post reviews of major projects, focusing on project costs, deliverables and outputs, are sometimes conducted.	Ex post reviews of major projects focusing on project costs, deliverables, and outputs are conducted regularly by an independent entity or experts, and are used to adjust project implementation policies and procedures.
14. Management of Project Implementation: Are capital projects well managed and controlled during the execution stage?				
14.a.	Do ministries/agencies have effective project management arrangements in place?	Ministries/agencies do not systematically identify senior responsible officers for major investment projects, and implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, but implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, and implementation plans are prepared prior to budget approval.
14.b.	Has the government issued rules, procedures and guidelines for project adjustments that are applied systematically across all major projects?	There are no standardized rules and procedures for project adjustments.	For major projects, there are standardized rules and procedures for project adjustments, but do not include, if required, a fundamental review and reappraisal of a project's rationale, costs, and expected outputs.	For all projects, there are standardized rules and procedures for project adjustments and, if required, include a fundamental review of the project's rationale, costs, and expected outputs.
14.c	Are ex post audits of capital projects routinely undertaken?	Major capital projects are usually not subject to ex post external audits.	Some major capital projects are subject to ex post external audit, information on which is published by the external auditor.	Most major capital projects are subject to ex post external audit information on which is regularly published and scrutinized by the legislature.

15. Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements?				
15.a	Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?	Asset registers are neither comprehensive nor updated regularly.	Asset registers are either comprehensive or updated regularly at reasonable intervals.	Asset registers are comprehensive and updated regularly at reasonable intervals.
15.b	Are nonfinancial asset values recorded in the government financial accounts?	Government financial accounts do not include the value of non-financial assets.	Government financial accounts include the value of some non-financial assets, which are revalued irregularly.	Government financial accounts include the value of most nonfinancial assets, which are revalued regularly.
15.c	Is the depreciation of fixed assets captured in the government's operating statements?	The depreciation of fixed assets is not recorded in operating statements.	The depreciation of fixed assets is recorded in operating statements, based on statistical estimates.	The depreciation of fixed assets is recorded in operating expenditures, based on asset-specific assumptions.
Cross-cutting issues				
A	**IT support.** Is there a comprehensive computerized information system for public investment projects to support decision making and monitoring?			
B	**Legal Framework.** Is there a legal and regulatory framework that supports institutional arrangements, mandates, coverage, procedures, standards and accountability for effective PIM?			
C	**Staff capacity.** Does staff capacity (number of staff and/or their knowledge, skills, and experience) and clarity of roles and responsibilities support effective PIM institutions?			

Appendix 3: Detailed PIMA scores

A. Planning		
	Institutional Design	Effectiveness
1.a.	1	1
1.b.	1	1
1.c.	1	1
2.a.	3	2
2.b.	2	2
2.c.	2	2
3.a.	1	3
3.b.	2	1
3.c.	1	2
4.a.	1	1
4.b.	1	1
4.c.	1	1
5.a.	1	1
5.b.	2	2
5.c.	1	1

B. Allocation		
	Institutional Design	Effectiveness
6.a.	1	1
6.b.	1	1
6.c.	2	1
7.a.	2	2
7.b.	2	2
7.c.	2	2
8.a.	1	1
8.b.	3	3
8.c.	1	1
9.a.	1	1
9.b.	1	1
9.c.	2	1
10.a.	1	1
10.b.	1	1
10.c.	1	1

C. Implementation		
	Institutional Design	Effectiveness
11.a.	2	1
11.b.	2	1
11.c.	3	2
12.a.	2	2
12.b.	2	2
12.c.	3	3
13.a.	2	1
13.b.	3	2
13.c.	1	2
14.a.	1	1
14.b.	2	1
14.c.	1	1
15.a.	2	1
15.b.	2	1
15.c.	1	1