

SIERRA LEONE

NATIONAL PUBLIC INVESTMENT MANAGEMENT POLICY

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Public Investment Management Unit

Ministry of Finance and Economic Development

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ACRONYMS

A4P	Agenda for Prosperity
AG:	Accountant General
ASC:	Audit Service Commission
BB:	Budget Bureau
BCC	Budget Call Circular
CBA:	Cost-Benefit Analysis CEA Cost Effectiveness Analysis
CPME:	Central Planning, Monitoring & Evaluation
CIB:	Capital Investment Budget (CIB)
DACO:	Development Assistance Coordination Office
EIRR	Economic Internal Rate of Return ENPV Economic
EPRU	Economic Policy and Research Unit
FDI	Foreign Direct Investment
FSS	Fiscal Strategy Statement
MTEF	Medium Term Expenditure Framework
GoSL:	Government of Sierra Leone
NPV:	Net Present Value
IFMIS:	Integrated Financial Management Information System
IMC:	Inter – Ministerial Committee
IMF	International Monetary Fund
LCs:	Local Councils
MDAs:	Ministries, Departments and Agencies
MOFED:	Ministry of Finance and Economic Development
MPD:	Multilateral Project Division
NPIP	National Public Investment Policy
NPPA	National Public Procurement Authority
NCP:	National Commission for Privatization
NDP:	National Development Plan
NGOs:	Non-Governmental Organizations
NIC	National Infrastructure Committee

NIP:	National Infrastructure Plan
NSA	Non State Actors
PCP:	Project Concept Paper
PDMD:	Public Debt Management Department
PFF:	Project Financing Facility
PFM:	Public Financial Management
PFMICP	Public Financial Management Improvement and Consolidation Project
PIM:	Public Investment Management
PIMU:	Public Investment Management Unit
PIMIS:	Public Investment Management Information System
PIP-WC	Public Investment Program Working Committee
PPF:	Project Preparatory Fund
PPP:	Public Private Partnerships
SLIDF:	Sierra Leone Infrastructure Development Fund
SLRA:	Sierra Leone Roads Authority
PSRU:	Public Sector Reform Unit
RMFA:	Road Maintenance Fund Administration
SPU:	Strategy and Policy Unit
SOEs:	State Owned Enterprises
VfM:	Value for Money
WB	World Bank

SECTION I
1.0 INTRODUCTION AND CONCEPT

1.1 Introduction

Sierra Leone is endowed with rich natural resources, with the economy mainly driven by the mining sector which also contributes significantly to the country's Gross Domestic Product (GDP). The country's economy is also very reliant on donor support, with an estimated 20 percent of public investment programs largely funded by external resources (loans/and grants). Recently, the country recorded strong economic growth, benefiting from both improved policies and booming commodity prices, before being hit by the twin shocks of the Ebola epidemic and sharp decline in iron ore prices. This resulted in a reduction in economic outcomes in the last two years, with decline in growth rate from 20.7 percent in 2013 to 4.6 percent in 2014, putting significant pressure on the country's budget.

The Government, through its prudent expenditure management programs, has played a crucial role in promoting socio-economic reconstruction. Prior to the outbreak of the Ebola Virus Disease in 2014, the country was progressing well with its medium-term development and poverty reduction strategy as elaborated in the Agenda for Prosperity (Poverty Reduction Strategy Paper - PRSPIII). It is noted that one of the primary objectives of the Agenda for Prosperity (A4P) is government's continued effort to eradicate extreme poverty. This could be achieved by removing a wide range of identified constraints, and building the necessary supportive environment and infrastructure that could accelerate sufficient enough growth to allow the attainment of middle-income status by 2035. To this end, the strategic guidelines or policy on public investment is aimed at not only driving public investment programs, but also having a justifiable expected positive effect on economic growth and social wellbeing.

The Government is continuously re-orienting public expenditures in favour of capital spending, while rationalizing recurrent expenditures. This necessitated the setting up of a robust Public Investment Program, with rigorous project selection and appraisal criteria to improve the efficiency of public investment.

This policy is expected to provide the enabling environment for private sector participation in public investments, with the ultimate aim of providing increased opportunities for economic growth. Public Private Partnerships (PPPs) in general should support the achievement of the goals highlighted in the Agenda for Prosperity, as espoused in Pillar 4 – adequate infrastructure, access to credit through supportive business environment. Public investment has a central role to play in this respect; first, through the creation of wealth, and also through its management to facilitate the creation of wealth by enabling the private sector to invest. With the current levels of poverty, economic growth is not only a pre - requisite for sustainable poverty reduction, but must itself be looked at from the volume and quality of total investment.

1.2 Glossary of Key Expressions and Concepts

1.1.1 Investment means spending that results in increased value of assets; i.e., spending on inputs used in future production. Investment is undertaken to ensure the continued delivery of existing and new goods and services for future utility.

1.1.2 Public Investment generally refers to capital expenditure on physical infrastructure (e.g. roads, etc.) and soft infrastructure (e.g. human capital development, etc.) with productive use that extends beyond a year. It is the accumulation of assets, including public goods and services to create employment and wealth for the immediate and long term benefits to expand economic growth.

1.1.3 Public Investment Initiatives are projects or activities undertaken by government agencies in relation to national and sector development policies and strategies, with the aim of improving or

increasing delivery of public assets and services by use of public funds within a specific period of time. Public investment project is usually identified as capital project and technical assistance project. It encompasses all the activities and resulting outputs required to deliver sustainable benefits to the identified target beneficiaries.

1.1.4 Public Investment Management (PIM) shall include the development of the appropriate legal & regulatory frameworks to guide the institutional arrangements and formalized processes and procedures. It could be done using manual or electronic/computerized software/database to implement efficient processes (project cycle – including identification, formulation, appraisal, selection & budgeting, execution, monitoring & evaluation) of public investments. The medium of delivery of public investments may be through traditional public investment by MDAs, LCs, Joint Venture schemes and Public Private Partnership (PPP) arrangements.

1.1.6 Public Investment Program (PIP) is a detailed and strategic investment planning tool and guide, which shall contain all approved public investment projects (both on-going and future), drawn from national and sector development policies and strategies. The PIP entails the final selected projects that are rolled out into the annual budget for execution.

1.1.7 PIMIS-Sierra Leone (to be developed) shall be a web-based software, and database for managing and processing public investment projects. It shall be designed and customized to facilitate the processing of public investment electronically through the PIMIS business processes. It shall also interface with other public software, including the IFMIS used at MOFED.

1.1.8 Public Private Partnership (PPP) is defined in the PPP Act 2014, as a contractual agreement between a public entity and a private sector party, with clear guidelines on shared objectives for the provision of public infrastructure and services traditionally provided by the public sector. PPPs constitute a cooperative venture built on the synergy of expertise of partners with clear public needs through the appropriate allocation of resources, risks and rewards.

1.1.9 Capital Investment is expenditure on the acquisition of fixed assets and contributes to fixed capital formation. Fixed assets are produced assets, comprising buildings and machinery. Capital investment includes major improvements (renovations, etc.,) on existing fixed assets. Capital investment increases the performance or capacity of an existing fixed asset or significantly extends its previously expected service life span, thus increasing the value of the asset.

1.1.10 Capital Expenditure refers to spending on maintenance or repair of fixed assets as current expenditure. Maintenance and repairs consist of the scheduled, periodic expenditures required to utilize an asset over its expected service life, without changing the fixed asset or its performance.

1.1.11 Public Expenditure Program is a group (set) of activities that can be effectively and jointly managed, with its outputs contributing directly or indirectly (as inputs to other activities) to the achievement of program policy objectives and goals, presented in the national budget or special fund. Public investment projects are thus a sub-set of an expenditure program's activities.

1.1.12 The National Infrastructure Committee (NIC) shall be established at MOFED and coordinated by CPM&E, with PIMU providing secretariat support. The committee shall comprise the CPM&E and PIMU at MOFED, the Strategy and Policy unit (SPU) at State House and of a cluster of technical experts from various MDAs directly engaged in infrastructure (MWR, RMAF, SLRA, MOE, SALWACO, MWHI, etc.). It shall work with the Budget Bureau to develop a comprehensive medium-term national development policy frame work to guide and address infrastructure gaps for the country's long-term growth and sustainable development.

1.1.13 National Infrastructure Plan (NIP) shall be prepared by a National Infrastructure Committee. The CPM&E shall coordinate the operation of the committee. The plan shall elaborate, enhance and concretize infrastructure objectives of the medium term expenditure framework, and shall serve as the

basis for prioritizing infrastructure development for national development. It will provide clear policy objectives and deliverables/outcomes from which performance can be measured. The plan shall guide MDAs and LCs with implementing sector policies and strategies.

1.1.17 Sierra Leone Infrastructure Development & Investment Fund (SLIDIF) shall be established as an innovative way of financing infrastructure projects from domestic sources, mainly from levies, fees and other charges. It shall include:

a. Project Preparatory Fund. Even though this fund currently exists at MOFED, knowledge about it amongst stakeholders is definitely scanty. Also, the fund is not capitalized enough to provide for adequate budgets to finance critical project studies - PIMU must raise awareness on the availability and status of the PPF, with clear protocols including criteria to utilize the fund.

b. Project Financing Facility (PFF) - on which instruments for collaterals (guarantees, Letters of Credit, etc.) shall be drawn to support large infrastructure projects especially for PPP arrangements.

SECTION II
2.0 PUBLIC INVESTMENT LANDSCAPE, RATIONALE, OBJECTIVES AND SCOPE

2.1 Public Investment Landscape

In recent years, substantial efforts have been made to improve the investment climate and the conditions for doing business in Sierra Leone. To support these efforts, Government established the Sierra Leone Investment and Export Promotion Agency (SLIEPA) in 2007 to facilitate inward investments in various sectors, as well as promoting exports. In addition, the Public Private Partnerships (PPP) Unit was also established in 2014 through an act of Parliament to improve the legal and regulatory framework for private sector participation in public projects.

Access to finance has also improved in recent years, with the materialization of a viable financial sector, and an increase in the number of Commercial Banks and other Financial Institutions (Community Banks and Financial Service Associations – FSAs) operating in the country. This has significantly increased rural financial intermediation. The financial sector was adversely affected by the outbreak of Ebola in 2014, due mainly to measures (reduction in working hours, etc.) adopted to reduce the spread of the disease. Despite the Ebola shocks, the asset base of the banking industry increased from Le4.82 trillion at end of 2014 to Le5.29 trillion at end of 2015. This increase in asset base was due mainly to increased investment of Le353.15 billion, including Treasury securities during the year.

As part of its development strides, government has in recent years scaled up infrastructural investments with increased investments in roads, resulting in linking of several major roads to district headquarter towns and neighboring countries. Most cities and major town roads are being rehabilitated, while thousands of kilometres of feeder roads have also been reconstructed and rehabilitated, linking agricultural producing centers to markets.

Additionally, electricity supply has been increased following the completion of the Bumbuna Hydroelectric Dam and the acquisition of thermal plants, with support from development partners. These efforts increased electricity grid generation by 3.1% from 170.5 GWh in 2010 to 175.7 GWh in 2011, leading to increased industrial consumption of electricity by about 23.1% (from 24.9 GWh to 30.6 GWh.

As a result of these efforts, the country has witnessed a rapid increase in investment inflows into agriculture, mining, agri-business, telecommunications, banking and transport sectors. The total

Foreign Direct Investment (FDI) also increased, from 4% of GDP in 2009 to 31% of GDP in 2011. However, the Ebola outbreak of 2014 severely affected the entire economy of Sierra Leone resulting in a decline of FDI from 8%[1] of GDP in 2014 to around 7% in 2015.

2.1.1 Fiscal Provisions for Public Investment in Sierra Leone

According to the International Monetary Fund (IMF) Working Paper on Public Investment, Public Finance and Growth, investment in public infrastructure has been recognized as pivotal in sustained economic growth in developed and developing countries. Upgrading public infrastructure and improving the delivery of public services remain a critical challenge for governments. These thus require strong demands for increased quality of public infrastructure to not only improve competitiveness, but also accelerate economic development. However, this has proved challenging for government with tight budget constraint.

Public Private Partnerships (PPPs) have been considered an alternative to traditional public procurement to realize a wide range of infrastructure investments while achieving better value for money. Incidentally, PPPs generate significant fiscal, macroeconomic, and reputational risks for governments, including creating large contingent liabilities that may have adverse implications for government budgets and fiscal and macroeconomic sustainability. At the same time, due to budgetary constraints, government is forced to seek out new options for supplying public infrastructure, including by relying more on private sector resources.

Despite this, the government of Sierra Leone has over the past years made significant efforts to increase capital spending resulting mainly from increases in grant – based development assistance and improvement in domestic revenue generation. Since 2011, government has directed a significant proportion of domestic resources toward capital projects. Expenditures were unusually low in 2011 due to macroeconomic constraints and distractions prior to the elections held in the following year. Expenditures rose in 2013 due to increased spending on public investments, much of it financed from domestic contributions to the development budget. When expressed as a share of total investment, the domestic capital spending is expected to increase from 32 percent of total government spending in 2011 to a projected 40 percent in 2016.

Table 1: Sierra Leone: Fiscal Operations of the Central Government, 2011–2016

	2011	**2012**	**2013**	**2014**	**2015**	**2016**
GDP at Market prices	12,752	16,460	21,154	22,091	22,260	24,582
Total Expenditure (including net lending)	2,752	3,358	3,169	4,016	4,431	4,662
Total Capital Expenditure	1,149	1,263	1,147	1,205	1,551	1,517
Capital Expenditure as % of Total Expenditure	0.418	0.376	0.362	0.300	0.350	0.325
Domestic Capital Expenditure	362	464	417	570	567	613
Foreign Capital Expenditure	787	799	730	635	984	904
Domestic Capital Expenditure as a % of total expenditure	0.315	0.367	0.364	0.473	0.366	0.404
Total Expenditure as a % of GDP	0.216	0.204	0.150	0.182	0.199	0.190
Total Capital Expenditure as a % of GDP	0.090	0.077	0.054	0.055	0.070	0.062
Foreign Capital Expenditure as % of GDP	0.062	0.049	0.035	0.029	0.044	0.037
Foreign Capital Expenditure as % of total spending	0.286	0.238	0.230	0.158	0.222	0.194

Source: *IMF Country Report No. 15/323 on Sierra Leone Third & Fourth Reviews under the ECF Arrangement & Financing Assurances Review*

[1] IMF report FDI 2015

2.1.2 Increasing Public Investment Efficiency

In its efforts to improve the management of public finances, the government within the context of the Public Financial Management reform has reviewed the Financial Management Regulation 2007 (FMR 2007) and the Government Budgetary and Accountability Act (GBAA 2005). This culminated in the enactment of the Sierra Leone Public Financial Management Act (PFM Act 2016), with a broader mandate to: strengthen the macro fiscal framework and strategy to guide fiscal planning in the medium term; improve budget discipline by introducing firm limits on the amount of additional spending in excess of the approved budget; increase the focus on measuring, monitoring, and managing fiscal risks by introducing an annual fiscal risk statement; the establishment of a Treasury Single Account (TSA), cash planning requirements and strengthening of accounting, financial reporting, and auditing by aligning public sector accounting with international standards, while broadening the scope for budget documentation and financial reporting among others.

The Act, in tandem with the A4P (2013-2017), clearly set out its objectives for moving Sierra Leone towards a stable middle income status in the future based on sound macroeconomic fundamentals, relying substantially on domestic revenue, and through a model of transparent and efficient resource management.

In recent years, the Ministry of Finance and Economic Development, in close collaboration with MDAs and local councils has worked hard to improve the execution rate of public projects. In addition, the "performance contract mechanism," a comprehensive system of "national performance contracts" across MDAs and local councils was established in 2012 as a key tool to enhance efficiency in national service delivery and public investment efforts.

Consistent with the government decentralization efforts, the policy will reinforce the devolution of duties and responsibilities from MDAs to LCs, as outlined in the Local Government Act 2004 for the implementation of public investment projects. The government has, over the years, channeled a significant proportion of financial resources for public investments through the local councils for the devolution of development. Thus, the roles and responsibilities of chiefdoms, districts and cities shall be strengthened to secure the full participation of LCs in implementing public projects to support efficiency in service delivery at the local level.

2.1.3 Monitoring Framework for Public Investment – Current Situation

Monitoring and Evaluation of public investments in Sierra Leone are currently fragmented, carried out by different stakeholders. MDAs undertake front line or routine monitoring and evaluation exercise for projects under their purview. At MOFED, PIMU evaluates projects at the request of the Financial Secretary to ascertain progress on work done by contractors or implementing agencies to effect payments to contractors.

Both the Strategy and Policy Unit and CPM&E coordinate and conduct national strategic or oversight monitoring and evaluation on public projects on a sample basis to keep track of milestones on project implementation and check whether planned activities are consistent with timeframes/schedules. This lack of a central mechanism to monitor and evaluate public investments effectively implies that public funds are not utilized efficiently/ properly accounted for. Thus, there is a need for a comprehensive M&E system for public investment projects nationally.

2.1.4 Challenges

While there has been a substantial effort by the government to increase public investment, meeting the desired objectives has been affected by series of challenges, as anticipated in the Agenda for

Prosperity. The underlying key factors that can be attributed to the low level of public investment are summarized as follows:

a. **Financial:** Resource availability, with budgeting focusing mainly on annual cost control rather than total cost control. There is also low resource base relative to need - despite the significant efforts being made in broadening domestic revenue mobilization over the years. Also, moving away from a single year focus to MTEF shows determination but the process can be easily politicized: This has resulted in budgetary ceiling within the MTEF context having little or no impact on actual appraisal and selection of projects.

b. **Structural:** Duplicity in Public Investment efforts by MDAs, LCs and development partners (NGOs inclusive) due to coordination issues. For example, the provision of water for a community without consultation with SALWACO could to lead to fragmentation and duplication in public investment projects for water. At the local levels, public investment projects have often failed because traditional authorities and other key stakeholders are excluded in the planning and execution process. M&E mechanism is weak with roles and responsibilities of stakeholders overlapping. Hence, there is a need for a mechanism and framework for coordinating all investment drives into a single platform for systematic derivation of ownership prioritization.

c. **Technical:** Absence or poor quality of strategic documents including lack of project prioritization and appraisal tools, investment screening, etc., overlapping M&E system, non-transparent - non-competitive bidding, with emphasis on the lowest bidder, consequently compromising the quality of work and providing leverage for corruption.

2.1.5 Human Capacity Building efforts, the Budget Integration process and the Management Information System for Public Investment

The Public Sector Reform Unit through its restructuring and capacity development programs is playing a pivotal role in identifying and capacitating MDAs staff with the skills required for project appraisal techniques as may be required by PIMU.

The Ministry of Finance and Economic Development has placed considerable emphasis on building capacity of personnel in the PFM strategy. General professional trainings for technical PFM staff across the government have been conducted. Specific training for staff of NPPA and various units of MOFED (including, inter alia, the budget bureau, the debt management unit, the revenue and tax policy unit, the AGD, the internal audit unit, etc.) are conducted on a need basis to meet specialized skills needed to achieve Project objectives.

The Integrated Financial Management Information System (IFMIS) has been rolled out to a majority of the major MDAs. The main immediate objectives are to complete a roll-out to the remaining key MDAs and ensure use of current functionality. The Public Financial Management Reform Unit (PFMRU) has provided local training and support to IFMIS users across MDAs to ensure that their fiduciary activities are properly and adequately captured within the IFMIS.

2.2 Rationale for National Public Investment Policy (NPIP)

Public investment supports the delivery of key public services, connects citizens and firms to economic opportunities, and can serve as an important catalyst for economic growth. Sierra Leone has a long way to go in terms of improving public investment planning, budgeting and execution. In order to fast track the planning and implementation process, there is a need to have a comprehensive look at how to maximize benefits and efficiency in public investments, promote investments in new and innovative ways including promotion and adoption of Public and Private Partnerships and ensure that the overall level of investment is synchronized with development needs. Thus, a well structured,

sequential, harmonized and coordinated national public investment policy is urgently needed to ensure the following:

Aggregate fiscal discipline: that budget totals need to be the result of explicit, enforced decisions, not merely accommodating spending demands, are supposed to be set before individual spending decisions are made, and should be sustainable over the medium term and beyond.

Allocation efficiency: that expenditures need to be approved on the basis of government priorities and on best estimates of their expected effectiveness. The budget system is also to reinforce reallocation of resources from lesser to higher priorities and from less to more effective programs.

Operational efficiency: that agencies need to produce public goods and services efficiently, and (to the extent possible) at prices that are competitive.

Serve as a guide to define development priorities: that it could serve as a blue print for all stakeholders in development interventions, including development partners. Thus, it will prevent duplicity in development efforts - thereby enhancing equitable allocation of resources.

2.3 Objectives of the National Public Investment Policy

The main objectives of this policy will include:

a. Provide the mechanism and framework to coordinate all investment drives and platforms for analytical and systematic derivation of investment priorities.

b. Establishing clear processes and procedures in delivering public investments,

c. Streamline roles and responsibilities of Ministries Departments and Agencies (MDAs), Local Councils, and development partners, including NGOs in the delivery of public investments

d. Strengthening the link between national development strategy (A4P) and delivery of public investment through budget implementation,

e. Define and strengthen the adherence to the project cycle, while establishing instruments and techniques for public projects.

2.4 Guiding Principles

The management and delivery of public investment projects in Sierra Leone shall be guided by the basic principles and tenets to foster the socio-economic development goals of the country. Managing public projects shall therefore be organized on the basis of the following principles:

2.4.1 Alignment to national and sector development policy objectives

All public investment projects must be aligned and originated from the national development policy agenda and (MDAs, and LCs,) strategic plans and policies. The objectives of every investment project should be designed to meet the overall national development goals.

2.4.2 Regulatory and legal framework requirements

These shall include assessment of statutory, institutional, regulatory and legal framework against which the project is envisaged to operate; responsibility of fee setting; implications of non-performance & associated sanctions; institutional setup & responsibilities for contract monitoring & oversight, regulation & control, & how it links with the MDAs operating obligations & performance. All public investments shall

be subject to policy directives and guidelines. Compliance to procurement laws, the Government Budgeting and Accountability Act of 2005 (GBBA 2005), as upgraded to PFM Act, 2016 and other regulatory procedures shall be paramount.

2.4.3 Adherence to the PIM Process

All public investment projects must go through the PIM process outlined in Section IV of the Policy. Projects are approved based on appraisal reports/findings, and availability of funds in line with budget ceiling. Approved projects are included in the annual budget and the three-year rolling public investment program (PIP). Projects under appraisal and those for which funding is not available, are included in the pipeline projects.

2.4.4 Transparency and Accountability

Information on public investments must be accessible to all relevant stakeholders and the general public to ensure effective monitoring and evaluation. The PIMIS shall be designed with enhanced public view window, and shall be user friendly and accessible to the public at all times to promote transparency in disseminating public investment information.

2.4.5 Promotion of Local Content and Transfer of Advanced Skill and Technology

All public investment projects shall be formulated to capture the maximum use of local content with special arrangements to attract and transfer advanced technology and improve methodologies. Public investment projects should facilitate the promotion of local industries and promote special schemes that protect the interest of local players, especially small and medium enterprises, trade unions and cooperatives.

2.5 Scope of Public Investment Management Framework

The broad scope of the National Policy on Public Investment framework shall cover the delivery of public investments at the: MDAs, LCs; and SOEs. Specifically, the scope shall be guided by the eight stages in Public Investment Management outlined in section IV. Delivery shall be through the traditional procurement and the Public Private Partnerships (PPP) schemes. It shall include projects in the pipeline, on-going and completed stages but requiring further maintenance or operation expenditures.

SECTION III
3.0 INSTITUTIONAL ARRANGEMENTS, ROLES AND RESPONSIBILITIES

3.1 Institutional Arrangement

Prudent and effective management of public investments in Sierra Leone requires coordination with a wide range of entities and stakeholders, each with clear roles & responsibilities. However, the legal regime that has existed in the past had grey areas with ambiguities in certain roles and functions. The legislation that has guided the actions of stakeholders has been limited to: the National Public Procurement Act 2004, the SLIEPA Act 2007, the PPP Act 2014, and the Budget Guidelines. To circumvent these inadequacies, the Public Financial Management Reform Unit (PFMRU) recently launched the Public Financial Management Act 2016 (PFM Act 2016). The Act has provided adequate institutional arrangements, including clear responsibilities of the Minister of Finance and

Economic Development in directing stakeholders in the delivery and management of public investments in Sierra Leone.

3.1.1 Key Institutions

(i) The Ministry of Finance and Economic Development is responsible for coordinating capital investment planning, management and budgeting. It assures the quality and integrity of the PIM by advising MDAs on the financial, economic and fiscal feasibility of project proposals at the identification and appraisal stages; prepares draft capital ceilings and capital budget; ensures that cash releases during the budget year are consistent with the efficient implementation of the capital investment budgets; and it sits on the Inter-Ministerial Public Investment Committee

a. **PIMU** is mandated to manage and oversee the entire public investment process, ensuring that all projects comply with the PIM guidelines, manuals and templates. Also, it shall coordinate and oversee public investments during the pre-investment phase. This includes guiding the processes and procedures in decision making, collecting and analyzing public investment data, and preparing reports and data on public investments as required by MOFED.

b. **Central Planning, Monitoring and Evaluation** shall guide and facilitate the drafting and production of national strategic documents including the National Infrastructure Plan. It would have to play a core role in developing public investment strategies to meet overall national development objectives. It shall also be tasked with monitoring and evaluating public investments, and the implementation of sector strategies. It shall be represented on the Public Investment Management (PIM) Working Committee for project selection.

c. **The National Infrastructure Committee (NIC)**, comprising CPM&E, SPU, and cluster of technical experts from various infrastructure MDAs (MWR, RMAF, SLRA, MOE, SALWACO, MWHI, etc.) shall work with the Budget Bureau to develop a comprehensive medium-term national development policy frame work on infrastructure. The framework shall focus on providing the necessary strategic guidance and direction to address infrastructure gaps in the medium term necessary for assuring the country‘s long-term sustainable development.

d. **Accountant Generals Department**: is responsible for the disbursement of approved funds and accounting of Public Investment.

(ii) **Strategy and Policy Unit - located at the Office of the President**: is a key institution in the delivery of public investment, tasked mainly with the responsibility of strategic monitoring of public investments nationwide.

(iii) **Public Private Partnership Unit:** Managed by the PPP department under the Office of the President. PPP and MoFED work closely together in the planning and financing stage of any projects that involve potential private sector interest.

(iv) **Parliament and Cabinet Secretariat**: Both the Cabinet and Parliament approve the guidelines, policy, and the legal framework as well as the public investment program through the annual national budget.

(v) **Ministries Departments Agencies (MDAs**) are responsible for implementing/executing projects - they are tasked with planning for capital projects, from within budget ceilings, designing and managing public investment projects through their project implementation units (PIUs). MDAs will be supported by the PIMU in MoFED for the design, selection and implementation of public investment projects.

(vi) **Sierra Leone Roads Authority** is responsible for providing technical advice and guidance on national road works, from inception to completion, and maintenance. It guides the Road Maintenance Fund Administration in prioritizing funding for road maintenance. The SLRA

shall develop an annual road maintenance plan (map). The budget bureau shall collaborate with the road maintenance fund administration to implement the plan

(V) **Local Councils** present budgets to their relevant councilors, but must follow national development policies and PIMU must capture their investment projects into the public investment plan. PIMU shall provide useful guidance, including monitoring and evaluation framework to LCs in the same manner it provides to MDAs.

(vi) **Donors and NGOs** investment plans and portfolio of projects are also public investments. They must be aligned to the national and sector development policies, and the PIM process must also guide the formulation, the design and the evaluation of all donor investment projects.

3.2 Summary of Roles and Responsibilities

Sierra Leone's PIM system involves implementing agencies (MDAs or LCs) and governing agencies. At MoFED, several departments collaborate with PIM to maintain and coordinate all public investment projects.

The Multilateral Project Development (MPD) is responsible for keeping track of projects co-funded by GoSL and donor partners, and collecting information on project implementation status on a regular basis.

The Development Assistance and Coordination Office (DACO) coordinates all donor projects and manages an online database that keeps information on disbursement etc.

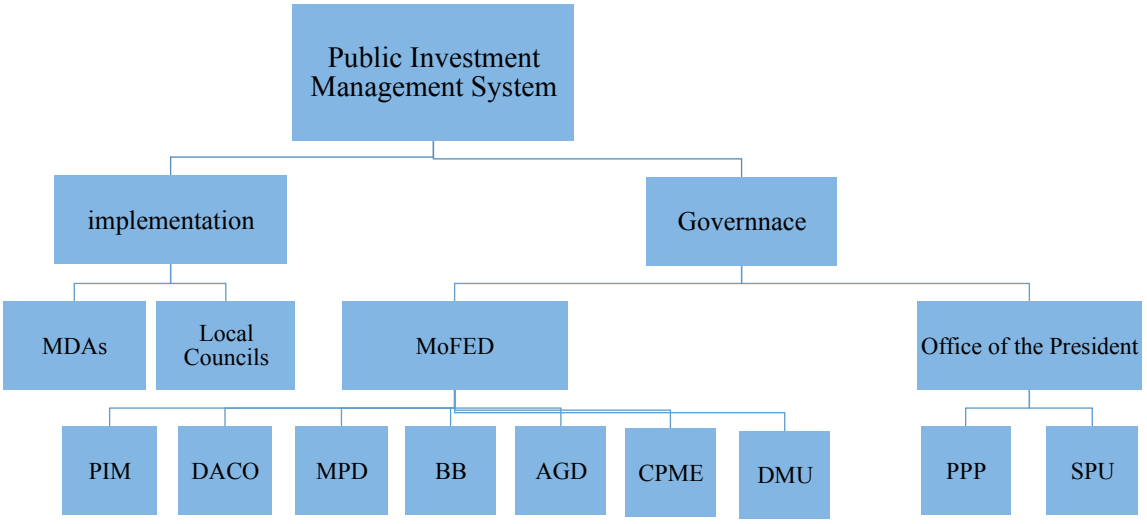
PIMU works closely with the Budget Bureau (BB) especially during the budget call circular as the Public Investment Programme (PIP) is integrated in annual budget planning.

The Accountant General's Department (AGD) is responsible for processing and making payments on behalf of GoSL after payment requests are approved by PIM. AGD is developing and maintaining a contract database from which PIM draws important information on disbursement and balance of payment.

Monitoring of all public investment projects as well as post completion evaluation shall be coordinated by CPM&E, in collaboration with PIMU; and SPU.

All public-private partnership projects are managed by the PPP department under the Office of the President. PPP and PIMU work closely in the project planning and financing stage of any projects that involve potential private sector interest. See illustration in the Public Investment Management Organogram below.

Organogran –PIM Implementation in Sierra Leone



3.3 Key Committees and Roles

The following committees shall play critical role in the delivery of public investments in Sierra Leone.

3.3.1 PIP Working Committee

The Public Investment Program Working Committee shall include members from across government and is tasked with steering PIP. It shall be led by the Minister of Finance and shall include the Secretary MOFED and heads from the different MOFED divisions, MDAs (where discussion is related to a specific MDA). The committee's main role shall be to give the final approval on investment projects to be included in the Public Investment Plan (PIP). This includes allocation of funding sources considering the fiscal space, nature of project, and making sure all investment projects are consistent with the National Development Policy (A4P).

3.3.2 Inter – Ministerial Committee on Public Investment (IMC)

The IMC will work to overcome co-ordination challenges; cross-sector and inter-ministerial co-ordination is necessary, but difficult to implement. Moreover, the constellation of actors involved in public investment is large and their interests may need to be aligned. It will also interface with the Strategy and Policy Unit at State House and the National Infrastructure Committee to harmonize public investment at both the central and local council levels.

SECTION IV
4.0 PUBLIC INVESTMENT MANAGEMENT & MEDIUM TERM EXPENDITURE FRAMEWORK

4.1 The Medium Term Expenditure Framework

In its efforts to reform public financial management, the GoSL has adopted policies in ensuring prudent financial management practices thereby enacting the new Public Financial Management Act

(2016 PFM Act). This is also a measure to improve on the Medium Term Expenditure Framework (MTEF), which constitutes an approach to budgeting and public financial management that addresses well-known shortcomings of annual budgeting, including planning, execution and monitoring. The MTEFs translate macro-fiscal objectives and constraints into broad budget aggregates and detailed expenditure plans, guided by strategic expenditure priorities.

Public investments, proxy by actual spending from the development budget undergoes a preparation process similar to the recurrent budget within the context of the MTEF process. Furthermore, public investment projects are selected and appraised in accordance with the MTEF calendar, with Budget Call Circulars forwarded to MDAs requiring a Concept Note. This is to justify the need for proposed project spending in terms of basic consistency with Government policy and strategic guidelines.

In addition to the concept note, specific information are requested from MDAs in the budget call circular, that require well developed cost estimates, including operating and maintenance requirements for inclusion in the recurrent budget, domestic counterpart funding requirements, procurement plans, annually updated financing plan, and evidence that ongoing projects are making satisfactory progress against approved targets. Projects which are subjected to appraisal, and have met the specific financing criteria are selected for inclusion into the PIP and subsequently, into the budget.

Projects funded under the PPP arrangements also form part of the PIP for the national budget. The challenges in the planning stage of the PIM cycle are particularly important given the intended significant increases in the scale of development spending, aiming to achieve the medium-term planning objectives set out in the Agenda for Prosperity (A4P).

4.2 The PIM and the Public Financial Management Act, 2016

In May 2016, the Government of Sierra Leone, in its vision to strengthen the macro- fiscal framework through fiscal responsibility principles to guide financial planning and the medium - term budgetary framework, enacted the Public Financial Management Act, 2016 (PFM Act, 2016).

The PFM Act 2016[2], among other things, mandates the Minister of Finance and Economic Development to prepare and submit, as part of the national budget, a Public Investment Programme which shall include the following:

(1) – a)Lists of-

i. All ongoing projects which have been included in the state budgets of the present or preceding financial years and the implementation status of which are ongoing;
ii. All new projects which are newly included in the State budget of the next financial year;
iii. All ongoing PPP projects with implementation status
iv. All PPP projects, multiannual commitments which have been approved by the Minister of Finance under subsection (2) of the section of the PFM Act 2016;

a) A list of transformational development projects and their assessment mentioned in paragraphs (a) and (b) of subsection (8) of section 77;

b) That the following information related to all projects and PPP projects included in the lists mentioned in paragraph (a)

[2] Public Financial Management Act 2016: Section 35, Pg 37.

i. Name, start and completion dates, and summaries of the projects and PPP projects;
ii. Financing sources of the projects and PPP projects
iii. Updated projections of annual expenditures for the projects and PPP projects to be spent under the State budget over the entire period of the project implementation;
iv. Amount of outstanding commitments to payments and to the projects and PPP projects;
v. Any other information as may be deemed appropriate by the Minister;

(2) The Minister may issue regulations and guidelines to prescribe as to:
a) The procedures, criteria, methodologies, and specific information required to qualify a project for inclusion in the State budget;
b) Any other procedures, criteria, methodologies, and requirements in respect of screening, evaluation, and implementation of projects.

(3) The screening, evaluation, selection, and implementation of PPP projects shall be made in accordance with the Public Private Partnership Act, (2014).

4.3 PIM and the Medium Term Budget Planning (Budget Cycle)

A proactive public investment policy will guide the government to ensure that the preparation of the Public Investment Program is adequately integrated into the MTEF. Projects that successfully pass formal appraisal and prove to be financially viable are submitted to Cabinet for approval to be included in the following year's Budget. Approved projects are included in the PIP production calendar, which is tied with national budget calendar. The annual budget circulars issued to MDAs shall provide inputs on capital expenditure or public investment requirements. The budget calendar, which is reviewed annually, shall provide the timeline and input requirements for alignment with PIM and Budget processes. PIMU shall provide such inputs on capital requirements into budget call circular. PIMU shall also support MDAs with training on how to apply the defined criteria for potential projects.

Table 3: Budget Calendar (linking the MTEF and budget preparation)

Month	Ministry of Finance and Economic Development	Ministries, Departments and Agencies (MDAs)	NSAs	Cabinet/ Parliament
Jan	Issuance of allocation allotment for current year.	MDAs submit monthly forecasts to MoFED for current financial year. Starts Project planning and conceptualization		
Feb	Preliminary screening of projects	Preparation of previous year's budget execution reports.		
	Launch of MoFED engagement with MDAs	Performance review of previous year, formulating strategic plans for next financial year.		
	Analysis of budget and actual outturn for previous year.			
March	Revision of macro-framework & prepare draft Fiscal Strategy Statement (FSS) as the basis for aggregate resource envelope.	MDAs to present revenue forecast for the next financial year.		

	Discuss the draft FSS with IMF.			
	MoFED submits draft FSS and MDA ceilings to Cabinet.			
	Publication of previous year's budget execution report.			
April	Project Appraisal			Cabinet discusses & approves underlying FSS assumptions & makes policy decisions based on the options set in the FSS. Cabinet sets policy priorities for the budget this year to allocate fiscal space.
	Issuance of the first Budget Call Circular based on the FSS.	Submission to MoFED of preliminary estimates for the next financial year		
May		Submission to MoFED of preliminary MDA expenditure estimates for the next financial year		
June	Project selection and budgeting			
	Submission of FSS to Cabinet and sector ceilings			Cabinet Budget Committee (CBC) discusses FSS.
	MOFED to provide sector ceilings to NSAs.			Cabinet approves FSS and sector ceilings.
July	Issuance of second BCC with expenditure ceilings and budget preparation guidelines.	Preparation and costing of Strategic plans within the ceiling provided		
	MoFED provides technical support to MDAs on preparation of strategic plans			
	Policy hearings with MDAs.	Participation in policy hearings	Participation in policy hearings	
	Technical budget hearing on capital projects.			
August	MoFED consults with CBC where negotiations with MDAs are inconclusive.			CBC makes final decision on expenditure.
	Analysis of budget and actual outturn for current year			
Sept	MoFED discusses fiscal framework with IMF.			
	Update FSS			
	MoFED informs MDAs about final expenditure ceilings			
	MDAs prepare procurement plans in consultation with the National Public Procurement Authority based on final expenditure ceilings.			
Oct	Finalization of budget estimates and preparation of the budget speech and Finance Bill	.		
	Laying of budget and Finance Bill in Parliament			
Nov	MDAs present their procurement plans for the next financial year to MoFED. Plans	MDAs attend budget discussions in Parliament	Attend budget discussions in	Parliament discusses budget

	should be based on the agreed expenditure ceilings.		Parliament	
Dec			Participate in sensitization on budget	Parliament discusses and approves budget

The MTEF must have, among other things, political involvement and a clear link to the budget preparation

4.4 Strategic Planning & PIM Execution (3 year PIP)

One mandate of CPM&E shall be to support the development of the NDP, which are usually long to medium term policies and strategies designed to achieve the desired goals and aspirations for the country. With support from **NIC,** these policies and strategies are further expressed by MDAs in adopted sector policies and programs and sub-programs. Projects are formulated from the programs and sub-programs and prepared by the MDAs with support from PIMU.

Projects are approved based on appraisal reports/findings, and availability of funds in line with budget ceiling. Approved projects are included in the annual budget and the three-year rolling public investment program (PIP). Projects under appraisal and those for which funding is not available, are included in the pipeline projects.

All public projects must follow the established criteria and guidelines for project approval; this is key for inclusion into PIP. The PIP serves as a strategic tool for spending and allocating resources to high priority areas of the economy to derive the greatest impact on the national development objectives. The national development strategic vision and priorities and development objectives shall form the basis in the final project selection phase for PIP. The PIP shall serve as a forward linkage to the Budget as well as a feedback loop to the NDP.

SECTION V
5.0 PUBLIC INVESTMENT MANAGEMENT FRAMEWORK

5.1 The Eight Stages of Public Investment Management

The quality of public investment can be measured on the basis of its capacity to deliver stated objectives. Better performance of public investment can be assured if key steps are taken under the Public Investment Policy. The PIM process identifies eight main stages: Project Identification, Pre-Screening, Project Profile and Feasibility Studies, Formal Project Appraisal, Project Implementation, Project Adjustment; and Project Completion, Review and Evaluation (M&E).

At each stage of the process, the required approval and expected outcome must be properly measured with the responsible institution equally accountable for effective delivery (in terms of timelines, cost and efficiency).

5.2 Project Identification

5.2.1 Conceptualization

MDAs conceptualize new projects and identify appropriate projects for the upcoming fiscal year. An eligible public investment project should first and foremost satisfy the following criteria:

a) Alignment with the Poverty Reduction Strategic Papers (PRSP)

All projects must fall under one or more of the seven pillars defined in the Agenda for Prosperity (A4P).

b) Alignment with Strategic/Development Plans of the MDA

A project needs to be agreed on at the ministerial or senior management level of the MDA, and must demonstrate how it fits the MDA's annual/medium-term strategic plan.

5.2.2 Project Concept Note

Upon identifying eligible projects, MDA develop concept notes and submit to MoFED through PIMU for initial screening. A well-prepared concept note should include the following information:

- Project objectives
- Project's economic importance and alignment with the PRSP and MDA strategic plan
- Scope of project and beneficiaries
- Needs assessment , start and end dates, including estimated total cost
- Description and discussion on other alternatives to ensure that selected project is the most efficient option.

5.3 Preliminary Project Screening

5.3.1 Concept Note Screening

Upon receiving project concept notes (CN) from MDAs, the PIMU screen the CN and fill out the Project Preliminary Screening Form based on certain criteria as defined below.

Project information completion

All mandatory fields in the CN are filled out correctly.

Project need assessment

Project objectives are well defined with the need for the project well justified. Specifically, the proposed new project shall not overlap with any existing PIP projects that meet the same demand. There should be sufficient background information to justify the need for the project, keeping in mind that the beneficiaries may not have a deeper understanding of the particular sector or issues the project seeks to address.

Key activities identified and well justified

In order to visualize the implementation of the project, MDAs shall provide a project implementation timeline and identify all key activities step by step. There should be sufficient justification for all the major activities to ensure exclusion of irrelevant activities.

Technical feasibility

The project is technically feasible under the existing capacity of the implementing agency. If a project is judged to be too ambitious on the technical level without any available external support, a point will not be awarded. In cases of ambitious projects, the

CN shall be required to include a technical proposal that outlines the key technical components of the project and procurement needs.

Cost and benefit estimates

The project should have cost estimates/outlines – apart from an estimate of project total cost; all key activities should be individually priced based on market prices and past experience.

Financing plan

Given that many public investment projects are co-financed by GoSL and donor partners, it is advisable for MDAs to seek external funding first. In the case of a potential PPP or donor co-funded project, the CN should include a discussion on the financing model(s). For profit generating project, MDAs also need to provide an estimate of the profit and how GoSL can re-coup the investment cost.

Budget Availability

In addition to a complete CN, an important factor is the availability of government budget for the pillar and sector the proposed new project belongs to. Past budget allocation for similar projects are reviewed to help gauge the budget capacity, and serve as a first check as to whether government will be able to finance the project.

Past Performance

PIMU shall evaluate the past performance of the MDA and their project implementation record – whether similar projects in the past have been completed; whether projects were implemented on time; whether projects spent within allocated budget;, etc.

5.4 Project Profile and Feasibility Studies

There shall be a threshold requiring projects to undergo studies (pre – feasibility and full feasibility) after passing preliminary screening. Mini projects costing less than **five billion Leones** shall be exempted from studies.

If a project is above the threshold and passes preliminary screening, PIMU shall recommend project for the required study (pre or full-feasibility study. The type of study for a project may depend on whether a pre-feasibility study was submitted at the initial screening stage. However, in some instances, PIMU can recommend for a full feasibility study where the information in the concept note is sufficient and meets the requirements for a feasibility study. MDAs have the option to outsource the task to consultants, and PIM may recommend the use of the project preparation fund to finance such study. The key components required for the studies are outlined in Table 4 below.

MDAs submit to MoFED through PIMU a detailed Project Profile that includes updated concept notes (as basic project information may have changed), pre-feasibility or full-feasibility study, and CVs of key project implementation and management personnel.

Table 4: Key Components of Feasibility Analysis[3]

Pre-feasibility Study	Full Feasibility Study
○ Data gathering (geographic, climate, socioeconomic, and technical) ○ Comparison of alternatives (engineering, socio-economic costs and benefits) ○ Objectives and performance measures ○ Preliminary estimate of project costs and benefits ○ Risk Analysis (including institutional and budgetary) ○ Regulatory and legal framework requirements ○ Identifying lacking information for Full Feasibility Study	○ Compilation of all relevant data ○ Summary of alternatives for project ○ Objectives and performance measures ○ Detailed estimate of costs and benefits ○ Preliminary design ○ Detailed risk assessment ○ Detailed sustainability assessment ○ Detailed Economic and Social Impact Analysis (ESIA)

5.5 Formal Project Appraisal

5.5.1 Economic and Financial Analysis

PIMU reviews the submitted project profile and returns to MDA for more information if it is not complete.

PIMU shall develop formal guidance on the technical aspects of project appraisal appropriate to the technical capacity, while providing capacity training in the process. Drawn from the information in the project profile, PIMU performs project appraisal using one of the following methods:

- **Cost-Benefit Analysis (CBA)** uses the Economic Net Present Value (ENPV), which is the cost subtracted from the benefits to arrive at the present discounted value of the project.
- **Cost Effective Analysis (CEA)** for social projects and programs, with difficulty or not appropriate, to quantity benefits in monetary terms. The value of ex ante project evaluation shall depend on the quality of the economic and financial analysis which, in turn, depends on the capacity of staff with project evaluation skills. PIMU will seek technical assistance to train staff in project evaluation skills.

5.5.2 Scoring System and Ranking Criteria

In a perfect economic world, all projects would only be selected according to a strict hierarchy of cost-benefit values, cost-effectiveness analysis and risk assessment. In practice, this does not happen in the context of Sierra Leone. It is worth noting that a full-fledged assessment that employs complex techniques of cost benefit and cost effectiveness analyses is often poorly developed and implemented in low capacity environments. Therefore PIM

[3] Arnand Rajaram, Tuan Minh Le, Nataliya Biletska, Jim Brumby. A Diagnostic Framework for Assessing Public Investment Management. The World Bank Working Paper 5397. 2010.

shall use a project viability scoring System (to be developed) based on information contained in the project profile and results of CBA or CEA, to reject projects if they fall under a minimum criterion.

Projects involving non-standard procurement, such as public private partnerships (PPPs), should be subject to the same appraisal process as standard public investment, and the costs and benefits of such projects should be compared against a public sector comparator project.

There shall be a detailed project design for all projects to ensure that the projects are accurately priced, can be tendered and implemented (a "ready-to-go" check). Moreover, to facilitate project implementation, the project design must include a full risk assessment, performance indicators and implementation strategy for implementing agencies.

5.6 Project Selection and Budgeting

5.6.1 Source of Financing

PIP – working committee shall recommend projects that pass the threshold in the scoring/ranking system to be considered by the Minister of MoFED. Upon approval, means of financing is then discussed among MoFED units, implementing MDA, and contractors where applicable, based on the calculated financial and economic net present value of project, as detailed in Table 4 below.

Table 5: Select the Project Funding Type Using NPV Criteria

Sign of the NPV		Source of Fund	Action to be taken
Financial	Economic		
+	+	1. Private 2. PPP 3. Public	Line ministry to look for private sector funding before seeking funds from the GoSL
+	-	Purely private	Line ministry to collaborate with SLIEPA and PPP unit for private sector fudning/intervention
-	+	Purely public	GoSL to seek grant, use internal resource (budget) and/or contract loans

5.6.2 Private Sector Involvement

If project appraisal suggests negative Economic Net Present Value (ENPV) and positive Financial Net Present Value (FNPV), it is referred to SLIEPA and PPP Units to source private sector funding. In the event that both ENPV and FNPV are positive, PIMU will encourage MDAs to seek private sector funding before seeking funds from GoSL.

5.6.3 PIP Production Calendar

Projects that successfully pass formal appraisal and prove to be financially viable are submitted to Cabinet for approval to be included in the following year's budget. Approved projects are included in the PIP production calendar, which is tied with national budget calendar.

5.7 Project Implementation

MDA's project design should include clear organizational arrangements and a realistic timetable to ensure the capacity to implement the project.

PIMU in collaboration with CPME, and SPU monitor the progress of projects. Monitoring project implementation would minimally involve comparison of project progress relative to the implementation plan. Implementing MDAs are required to submit progress reports to the monitoring agencies that may then need to audit both financial and physical implementation.

5.8 Project Adjustment

Implementing MDAs submit quarterly project status report to PIMU/MoFED, and each funding request should be accompanied by proof of work completed, an updated estimation of total project costs, and a reminder to project sponsors of their accountability for the delivery of the benefits.

For project adjustments resulting from implementation delay, suspension or cancellation, MDAs shall prepare a timely report and submit to PIMU. In response, PIMU must make appropriate financial adjustments accompanied by an updated CBA and estimates of NPV.

5.9 Completion Review and Evaluation

Upon project completion, implementing MDAs are required to submit project completion evaluation report to MoFED. CPM&E shall develop a systematic method of collecting implementation data, analyzing project impact, and using information to answer questions about project effectiveness and efficiency. Ex post project evaluation shall be conducted, and shall focus on the comparison of the project's outputs and outcomes with the established objectives in the project design.

PIMU will prepare semi-annual and annual reports on the Public Investment Program (PIP), which shall include summary of expenditure by pillar, sector, and project.

SECTION VI
6.0 FINANCING THE MEDIUM TERM PUBLIC INVESTMENT

The Ministry of Finance and Economic Development, through the PFM Act 2016 has designed a holistic medium term public investment strategy within the broad macroeconomic framework to execute public investments in Sierra Leone.

6.1 Sources of Fund

The principal sources of financing for the immediate and medium term public investment or capital spending shall include:

6.1.1 National Budget:

a. Annual capital expenditure allocations (capital component)
b. Contingency Funds or earmarks (for infrastructure development)
c. Retained Internally generated funds (return on public equities, SOEs,' loans and Budget Revenues)

6.1.2 Domestic Borrowings:

Financing public investment from domestic borrowings will source funds from:

a) Commercial Banks
b) Domestic Capital markets
c) Suppliers' Credit

6.1.3 Local Councils:

Local Councils' Budgets and investment Revenues including loans & Private capital (JVs and PPPs)

6.1.4 PPP arrangements – Facilitating Access to Private capital

The public investment strategy will mobilise private actors and financing institutions to diversify sources of funding and strengthen capacities. This will match private financing arrangements to investment needs and government capacity, through careful analysis of the pros and cons of different private participation arrangements and what they entail in terms of risk and government financial and administrative capacity. Decisions regarding Public Private Partnerships (PPPs) shall be coordinated with the budget process and their potential value-for-money which shall be compared to funding from the budget.

The involvement of private actors and financing institutions in public investment should be a way to strengthen the capacity of government at different levels and bring expertise to projects through better ex-ante assessment, improved analysis of the market and associated risks, and achieving economies of scale. MOFED shall mobilise innovative financing instruments or mechanisms, but shall do so with a clear understanding of the capacities such approaches require.

6.1.5 Development Partners financing:

a. Loans (concessional & Non-Concessional)
b. Grants

6.1.6 Sierra Leone Infrastructure Development & Investment Fund (SLIDIF)

a. Project Preparatory Fund: Even though this fund currently exists at MOFED, Knowledge about it amongst stakeholders is currently scanty. Also, the fund is not capitalized enough to provide for adequate budgets to finance critical project studies - PIMU must raise awareness on the availability and status of the PPF. PIMU must develop clear protocols including criteria to utilize the fund.
b. Project Financing Facility (PFF) - on which instruments for collaterals (guarantees, Letters of Credit, etc.) shall be drawn to support large infrastructure projects especially for PPP arrangements.

c. Road Maintenance Fund – Autonomous and established by the RMFA Act. The fund is responsible for routine and periodic maintenance of the national road networks. Contributions to the fund have not been adequate to cover the scope of work. The fund therefore envisages maintenance costs for all future road construction to be budgeted for as line items in road project budgets. All such funds must be deposited into the Road Maintenance Fund Administration account.

Development Partners/Donors should be encouraged to mobilize resources for the Sierra Leone Infrastructure Development Fund. International companies planning to conduct transactional basis must also be encouraged to participate or contribute to the SLIDF through joint ventures with local companies.

6.1.7 Any other legal source or financing arrangements

6.2 Medium Term Financing Strategy for Public Investment

The Ministry of Finance and Economic Development (MOFED) in consultation with relevant stakeholders shall design effective medium term financing strategies to finance the execution of public investment. This strategy shall cover the financing requirements for MDAs and the direct or indirect support to LCs. The medium term financing strategy, which may be reviewed and renewed annually, shall be prepared in consideration of the following;

i. Available budgetary provisions, with a consideration of any other fiscal constraints in the medium term
ii. Available borrowing space and financing mix derived from the Debt Sustainability Analysis (DSA) and Medium Term Debt Strategy (MTDS), including sensitivity analysis to determine limits on borrowing.
iii. Potentials for PPPs and private sector appetite for public sector risk,

The strategy shall be prepared by Public Investment Management Unit, in collaboration with other divisions in MOFED (PDMD, EPRU, CPME, NIC, BB), and other institutions including the proposed SLIDIF. The strategy shall guide the project selection and budgeting duties of the PIP –WC. (PIMU shall prepare the Terms of Reference (TOR) for the PIP-WC). All issues relating to the tax provisions will be addressed by the Revenue and Tax Policy Unit.

SECTION VII
7.0 PROJECT AND CONTRACT MANAGEMENT

7.1 Preparation of Tender Document

Once a project is approved by the PIP – WC, the MDAs or PPP Project team in collaboration with PIMU shall prepare the tender document. MDAs shall use PIMIS in managing the projects. MDAs or PPP shall input contract procurement information from the bidding /tendering stage up to contract execution stage. The contract module in the proposed PIMIS shall be designed to facilitate effective contract management - all works executed on contracts shall be processed through the PIMIS.

In the case of variations, adjustments and amendments that could result from implementation delay, cost overrun, etc., MDAs shall prepare a timely report to submit to MoFED. Such a report must be guided by laws, regulations and policies governing procurement of projects and contracts, (e.g. as per NPPA Act, 2004, PFM Act 2016). The Budget Bureau shall provide the appropriate guidelines to regulate and manage veering on budget resource allocation. Budget Bureau shall utilize the reports on contracts to advise PIM management appropriately. In response, PIM shall make appropriate financial adjustments accompanied by an updated cost-benefit analysis and estimates using NPV.

7.2 Public Investment Performance Benchmarks

Key performance benchmarks in managing the public investment projects shall include:

(i) Overseeing the execution of the project within scheduled time, cost and budget,
(ii) Managing contractual outcomes, supervising to achieve desired specifications, standards, designs,
(iii) Liaising with stakeholders to manage expectations
(iv) Measuring desired output against realized benefits of the project after completion
(v) Assess and report on the project outcomes for future planning,
(vi) Project cycle to be well managed as per the project phases,

(vii) Maintaining the projects after commissioning or handover.

7.3 Transparency and Accountability on PIM

This includes adopting good practices for budgeting and financial accountability such as accurately costing public investment plans, reflecting them in budget strategies and allocation processes, fitting them into a medium-term budget framework and duly considering long-term operating and maintenance costs.

Evaluation, recording and reporting on delivery and management of public investment shall be paramount. All stakeholders shall be required to report appropriately on their respective roles and responsibilities in the PIM process.

Contracting Authorities shall assess the performance in the delivery of public investment outputs/outcomes against targeted goals and report to the PIP - WC. MDAs are expected to monitor, evaluate and submit online reports via the PIMIS. The PIP – WC/PIMU is expected to do overall national monitoring and evaluation.

The relevant MDAs, including Budget Bureau, the Public Debt Management Unit, the Multilateral Project Division, and the Development Assistant Coordination Office, shall report on actual capital expenditure on Public Investment Projects to the PIM Unit through the PIMIS. PIMU shall report on the performance of PIM and shall produce annual reports that capture the status of PIP within the medium term for the CPM&E. The CPM&E shall design and develop a comprehensive reporting format on public investment programs to inform the National Development Plan.

7.4 Risk Management

All proposals shall undergo a risk assessment process to identify the chance of something having a negative impact upon project objectives, measured in terms of consequence and likelihood. Probability estimates and risk ranking tables shall be developed together with project formulation document templates. PIMU shall devise strategies for overall levels of risk categories. In cases where the overall level of risk is beyond an acceptable threshold, a decision may be taken not to proceed with funding for the investment(s). The risk assessment will focus on:

Macroeconomic risks and budget sensitivity: Sensitivity of aggregate revenues and expenditure analyses shall be conducted to assess the variations in each of the key economic assumptions on which the budget is based; the unpredictability of development aid/budget support, evaluation of outcome both in terms of commitments made and timing of receipt, and the impact of delay in disbursement on the cash management and planned mitigation of risks.

Public Debt: includes sensitivity of public debt levels and debt servicing costs to variations in assumptions regarding, e.g., exchange rates and interest rates and the impact of debt management strategy on the government's risk exposure; the policy and institutional framework for government borrowing and on-lending: projected statement of inflows, outflows, and balances; disposition of loan repayments and nonperforming loans.

Contingent Liabilities: expected value and government's gross exposure to contingent liabilities, especially central government guarantees (e.g., to public enterprises); reporting to include broad groups of guarantees but also any major individual guarantees.

Fiscal impact of unforeseen circumstances (recently the twin shocks): Level and operation of possible contingency reserve for emergencies (if applicable).

Public private partnerships: Provide a comprehensive summary of all PPP programs; infrastructure needs, public investment program; policy framework and rationale for PPPs.

SECTION VIII
8.0 MONITORING AND EVALUATION FRAMEWORK

CPM&E is mandated to coordinate and conduct comprehensive national oversight monitoring and evaluation on all public projects to keep track of milestones on project implementation and also to check whether planned activities are consistent with project timeframe. It shall develop monitoring and evaluation guidelines and templates for MDAs and other key stakeholders, including development partners.

Upon project completion, implementing MDAs shall submit project completion evaluation report to PIM Unit. MDAs or contracting agencies shall adopt the monitoring and evaluation framework established by the Central Planning Monitoring and Evaluation Unit (CPM&E). The NIC through the (CPM&E) shall develop a systematic method of collecting implementation data, analyzing project impact, and using information to answer questions about the effectiveness and efficiency of infrastructure projects.

MDAs shall be responsible for front line or routine monitoring and evaluation exercise for projects under their purview for efficacy and efficiency in delivery of public investments. MDAs shall use the CPM&E monitoring and evaluation guideline to facilitate the reporting requirements for public investments.

PIMU shall be responsible for evaluating projects on an ad hoc basis at the request of the financial secretary to ascertain progress on work done by contractors or implementing agencies. This is important because payments to contractors are contingent on level of work completed.

The strategy and policy unit has been conducting strategic monitoring and evaluation on public investment projects across the country on a sample basis. It shall continue in this role to complement the CPM&E in checking whether planned activities of implementing agencies are consistent with timeframe or schedules in contractual agreements.

8.1 Ex-Ante Monitoring and Evaluation

The ex-ante monitoring and evaluation of public investment projects shall use comprehensive, long-term assessments for investment selection to clarify goals and reveal information. This will allow the PIM Unit to consider policy and project complementarities, as well as alternatives to investments and efficient use of existing methods that will yield the desired results and value for money. This stage of the evaluation will entail the setting up of the measurable targets for the project implementation goals, which could be monitored over the project life up to commissioning. The ex-ante monitoring and evaluation shall commence at the project preparation stage and shall cover the duration of the project, design and technical specifications, cost estimates and environmental and social impacts.

The ex-ante assessment will also assess the different types of risks and uncertainty associated with public investment, including longer- term impacts, at an early stage of the investment cycle as part of an appraisal. This includes fiscal risks, such as contingent liabilities, as well as political, social, and environmental risks. Such risks and adapted mitigation strategies shall be re-evaluated as new information becomes available.

8.2 Ex-Post and Evaluation Monitoring

Ex-post monitoring and evaluation of projects shall cover the period after commissioning of the project to its remaining life span. This is the stage where the CPM&E, in collaboration with SPU monitors and evaluates the policy objectives of the projects. It also includes monitoring for maintenance, replacement, upgrading or modernization of projects. The ex-post evaluation will guide the PIP-WC to facilitate the schedule for financing or funding for replacement, maintenance cost and other related issues.

NIC shall follow up on the monitoring and evaluation reports on the outcomes of the policy objectives of infrastructure projects and produce policy recommendations from the lessons learned, in order to facilitate the next round of planning.

SECTION IX
9.0 PUBLIC INVESTMENT MANAGEMENT INFORMATION SYSTEM (PIMIS)-(TO BE DEVELOP)

One of PIM's medium-term objectives is to incorporate all existing information collected by various departments - DACO, MPD, CPME, AGD, and BB - to establish a centralized database that includes all information for GoSL and donor funded investment projects.

Currently, MDAs collect project data at different times of the year at different frequencies, which creates friction in database management and reconciliation. The significant technical challenge lies in database merging and interfacing due to limited IT capacity and lack of stable internet connection.

The database shall be designed with enough flexibility for upgrades from time to time to keep pace with trends and new functionalities. It shall have an online user friendly manual for reference and use. It shall be accessible to all public institutions with stake or role in the delivery of public investment or capital expenditure.

9.1 The PIMIS Module

The PIMIS shall have several modules as could be needed by PIMU

Project Module: Allows the registration, screening/appraisal, allocation of funds, annual budgeting and Monitoring and Evaluation of projects. MDAs and LCs shall use this module to register and submit projects for process either for eligibility for PDF or for screening /appraisal and further processing

Contract Module: Shall be designed to record and track bidding and contract management details. MDAs and LCs shall record contract details as and when a contract is concluded.

PPP Module: Shall capture and track all the details of Public Private Partnership (PPP) projects. The PIMU shall use this module to register, track and monitor, manage and report on all PPPs.

Reporting Module: Shall be the window for providing management reports on PIP for decision making. It shall have enhanced capability to produce and generate analytical data and reports for various purposes.