



THE PFM & IPSAS CONFERENCE.

TOPIC :RELOKING PUBLIC INVESTMENT

PRESENTED BY;

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Presentation Outline



- ✓ Introduction to public Investments
- ✓ Drivers of public investments
- ✓ Role of National Treasury in Management of Investments
- ✓ Development of Public Investment Approach
- ✓ Features of Public Investments
- ✓ Public Investment Cycle
- ✓ Unified Framework for Investment/Project Appraisal
- ✓ Investment appraisal methods
- ✓ Other methods of investment appraisal
- ✓ Where do we normally go wrong
- ✓ Attracting public investors
- ✓ Questions and Answers
- ✓ Quotes of the day

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PUBLIC INVESTMENTS



- ❖ Public investment means funding and allocating resources for projects and services that the private sector cannot successfully deliver on its own.
- ❖ Public investment can be defined as is investment by Government or government agency. Public investment is aimed to achieve the following;
 - ✓ To provide basic resources such as water, sanitation which private sector cant deliver. This leads to higher productivity and better living Standard;
 - ✓ To shape choices where people live and work;
 - ✓ To influence nature and type of private investment
 - ✓ To boost growth and provide infrastructure to private sector for more investment, i.e create conducive environment for private investors;
 - ✓ It's often seen that public investment leads to better growth, other benefits apart from GDP growth such as social inclusion and ;
 - ✓ Fulfilment of political promise and other political reasons

DRIVERS OF PUBLIC INVESTMENTS



- ❖ **Public expenditures** are incurred to provide **public** goods and services.
A **public** good is a good which is both non-rival and nonexclusive (Ahlersten, 2008). Non-rival because two or more persons can consume the same unit of a good without affecting each other's utility.
- ❖ **The following are the key drivers of public investments;**
 - ✓ Equal distribution of income and wealth;
 - ✓ In compliance with the country's economic blue print i.e vision 2030
 - ✓ Balanced and rapid growth of the economy;
 - ✓ To raise the gross and national product and per capita income;
 - ✓ Proper allocation of existing resources;
 - ✓ Efforts to correct the balance of payment;
 - ✓ All-round development of the country;
 - ✓ To keep watch the interest of the future generation and
 - ✓ Political and community support.

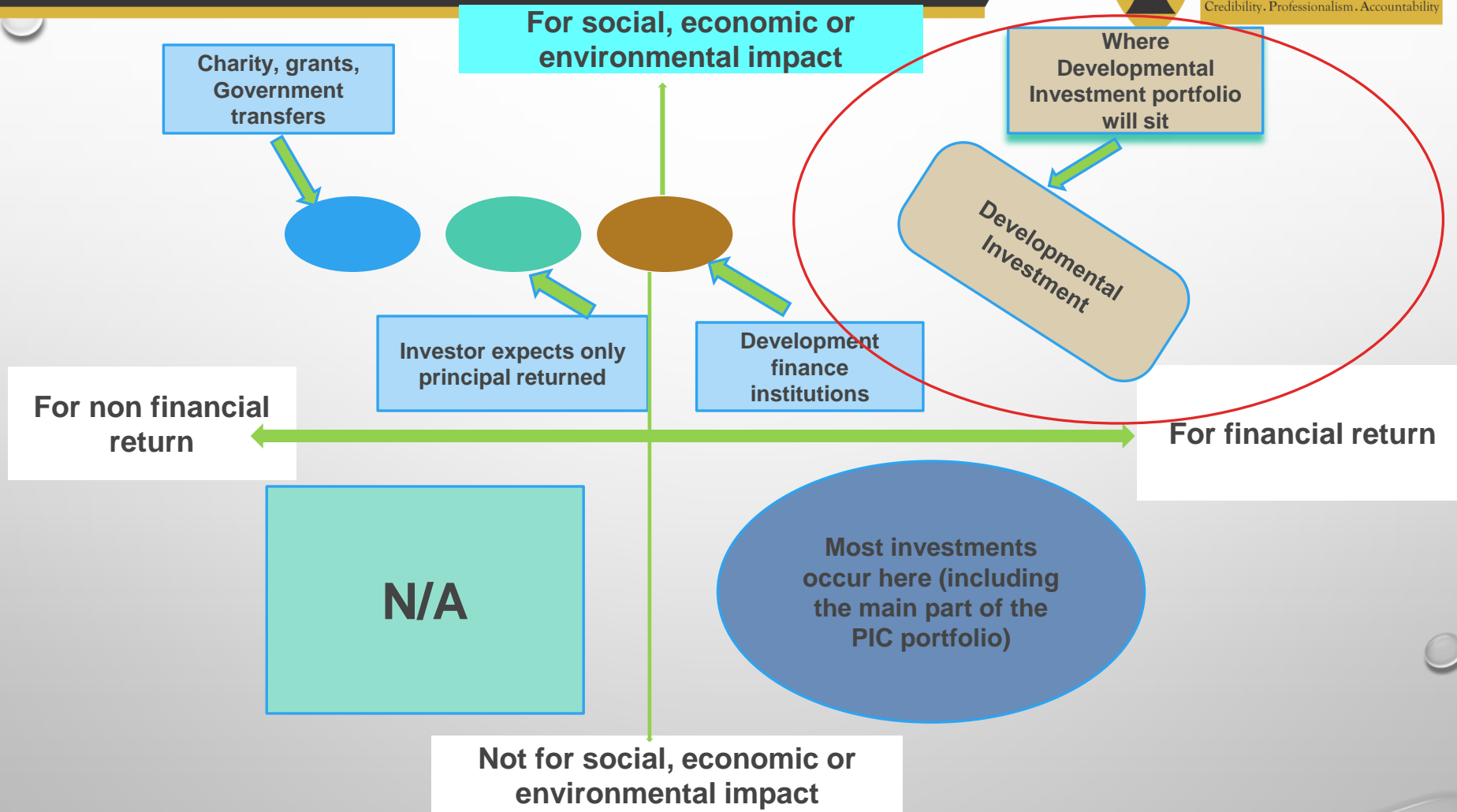
THE ROLE OF NATIONAL TREASURY IN PUBLIC INVESTMENT IN KENYA



- The National Treasury in the year 2018 after diagnostic studies by WB and IMF AFRITAC East recommended formation of the PIM Unit at the National Treasury.
- PIM main objective is to provide standard approach in project cycle management to facilitate the national and county governments and their entities in project identification and planning.
- ***The core mandate for PIM unit include but not limited to the following;***
 - ✓ Formulate, review and coordinate policies, laws and regulations to improve public investment management across government;
 - ✓ Building and strengthening PIM capacity in National and County Governments;
 - ✓ Designing, developing and maintaining an efficient, effective and reliable Public Investment Management Information System (PIMIS);
 - ✓ Developing standards, methodologies, and tools for appraisal of project concept notes, pre-feasibility and feasibility studies and;
 - ✓ Gate keeping role i.e *to analyse, review and appraise proposed projects before approval.*

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Development of Public Investment Approaches



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KEY POINTS TO TAKE NOTE



The following four points are cardinal in the success of public investments projects’;

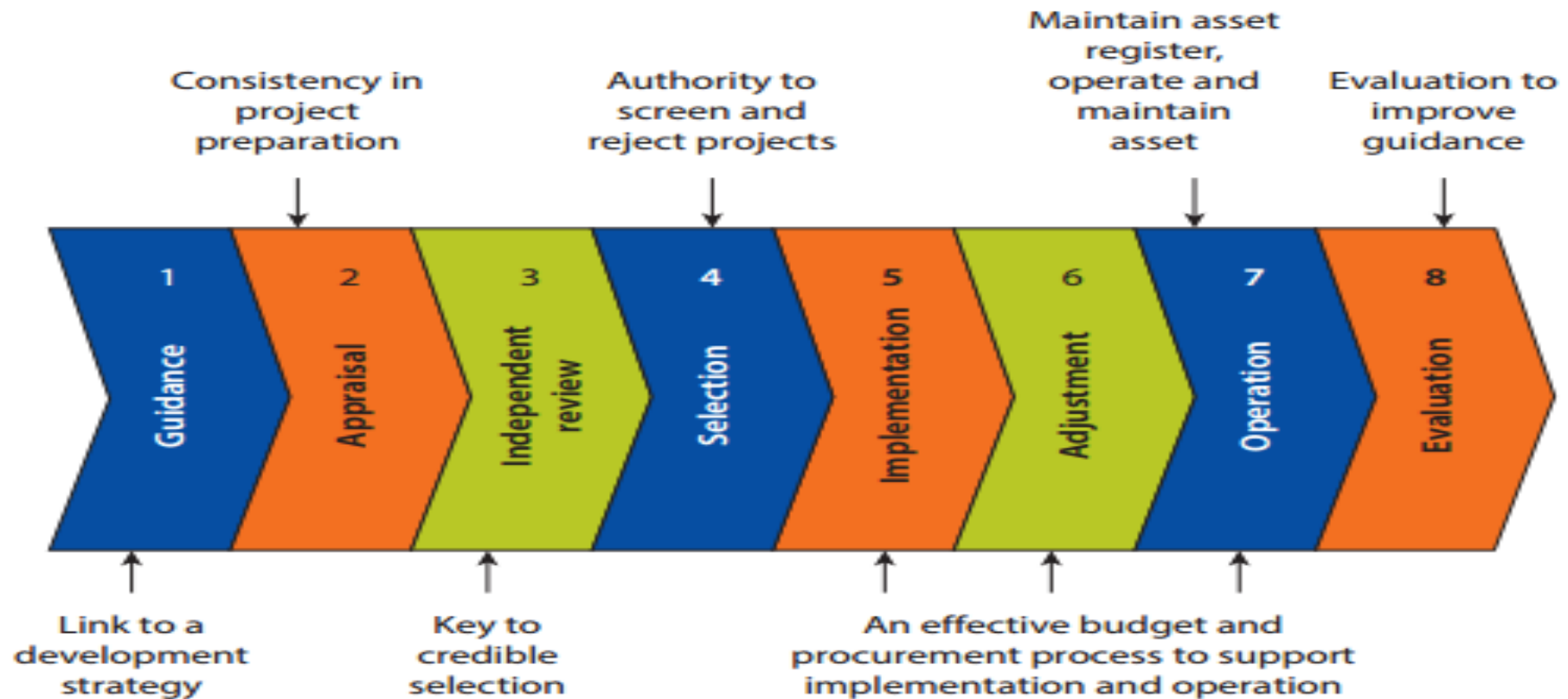
- ❖ Interagency co-ordination processes;
- ❖ No (reduce) the political considerations on the promoting projects;
- ❖ Annual and medium term budget management capacity and consistency of the PIM with the budget process; and
- ❖ Acquisition and resettlement issues, environmental safeguards, and complex procurement challenges.



KEY FEATURES OF A PUBLIC INVESTMENT

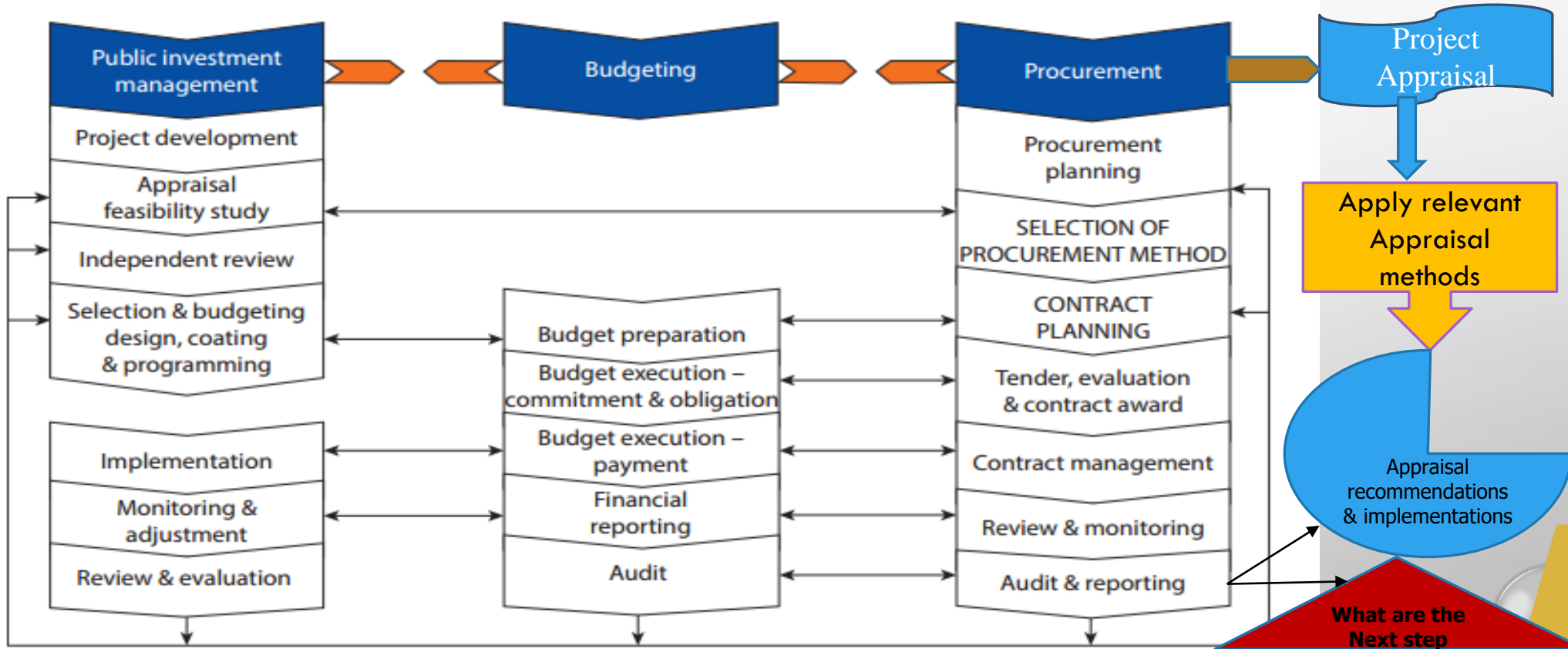


The following are “must-have” Features for an efficient public investment system.



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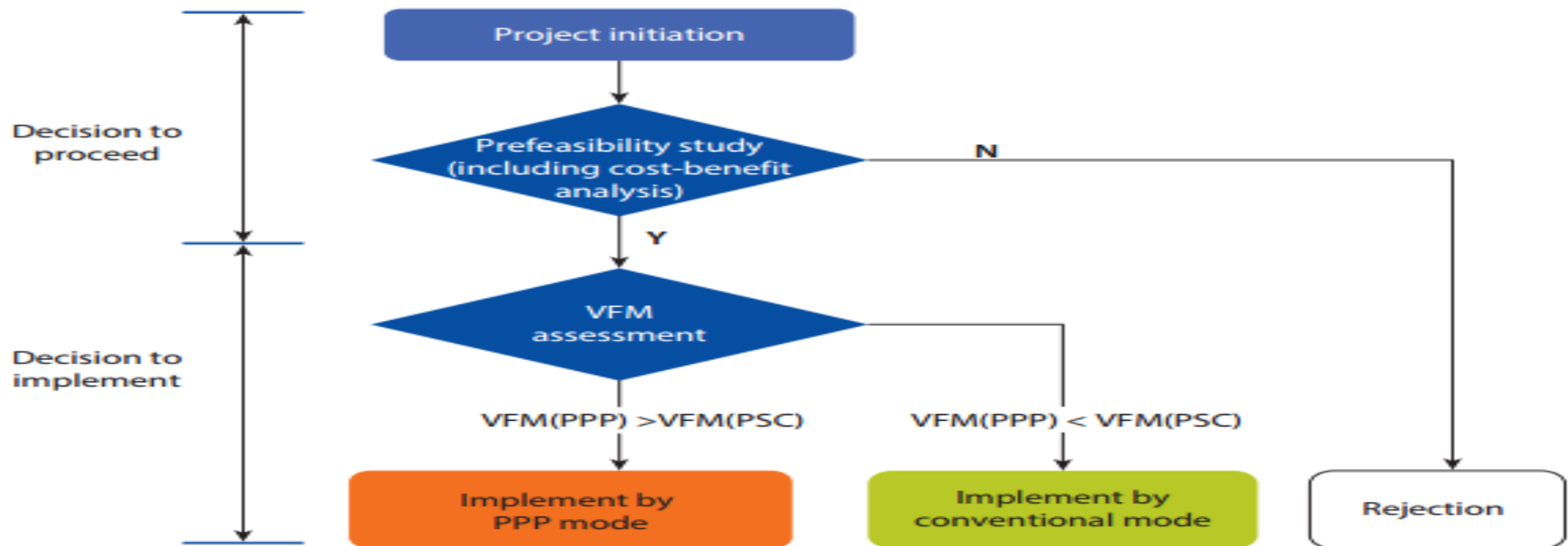
Public Investments if well managed, shall apply each of following stages and linkages to minimize costs and speed up project implementation;



UNIFIED FRAMEWORK FOR PROJECT/ INVESTMENT APPRAISAL



The following is standard example of a unified framework for project appraisal that involves assessment as to whether the public investments including PPP might achieve better Value For Money(VFM) ;



Note: PI/ PPP = public investments / public-private partnership; PSC = public sector comparator; VFM = value for money.

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REQUIREMENTS FOR INVESTMENT APPRAISAL



- The basic requirements of investment appraisal. These requirements involve the following stages:
 - ✓ Defining the objectives of the public sector organization
 - ✓ Identifying the capital projects that will achieve the objectives
 - ✓ Evaluating the costs and benefits of each project, and
 - ✓ Making decisions on whether to accept or reject the projects proposal.

NB: Investment may be undesirable economically but still retained

INVESTMENT APPRAISAL METHODS



- ❖ There are two main methods/techniques for investment appraisal in the public sector and they include;
 - ✓ **Cost/benefit analysis, and**
 - ✓ **Cost-effectiveness Analysis**

Cost-Benefit Analysis - *Cost-benefit analysis is concerned with assessing all of the economic and social advantages (benefits) and disadvantages (costs) of a project and then quantifying these in monetary terms. Cost-benefit analysis is developed as a means of establishing criteria for public sector investment appraisal in terms of the net social benefits accruing from the investment.*

Cost-effectiveness analysis - *Social costs and benefits are not always easily measurable . Cost effectiveness analysis approach has more realistic requirements, thus more widely used. Cost-effectiveness analysis involves a careful appraisal of the quantifiable costs and benefits, both now and in the future, of undertaking a project investments with non-quantifiable effects described but not evaluated. In other words, the cost-effectiveness analysis concentrates on measuring the measurable aspects of investments.*

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OTHER INVESTMENT APPRAISAL METHODS



There are other different methods or techniques for project appraisal. These are as follows:

- ❖ ***Financial analysis:*** Assessment of the financial requirements both-fixed capital and working capital falls under financial analysis. We can apply Altman Z-score, ratio analysis.
- ❖ ***Market analysis:*** Before the production actually starts the government agency needs to anticipate the possible market for the product. They have to anticipate who will be the possible customers besides mainstream government for his product and where, when and how his product will be sold.
- ❖ ***Technical feasibility:*** Technical feasibility means the adequacy of the proposed plant and equipment to the product. It includes the availability of land, building, water, power, transport, communication facilities, raw materials etc.
- ❖ ***Management:*** Management's ability or competence plays an important role in making an enterprise successful, through application of discounting approaches and other traditional methods.

WHERE DO WE GO WRONG ?



- ❖ The argument to increase public investment spending is often weakened by evidence of its low efficiency in a number of dimensions, including but not limited to the following:
 - ✓ Political influence in project selection, often leading to wasteful “white elephant” projects with little economic or social value;
 - ✓ Delays in design and completion of projects;
 - ✓ Corrupt procurement practices;
 - ✓ Cost overruns;
 - ✓ Incomplete projects;
 - ✓ Poor quality of completed infrastructure;
 - ✓ Failure to effectively operate and maintain assets ;
 - ✓ Resistance from the local community & society and ;
 - ✓ Attitude and perception of wider members of public

HOW TO ATTRACT PUBLIC INVESTORS



States and governments can follow the following principles to attract public investments at the national and international levels;

- ✓ *Endorse **learning** about public investment at all levels of government to all stakeholders.*
- ✓ *Reinforce capacities for public investment.*
- ✓ *Assess the long-term effects of public **investment**.*
- ✓ *Activate private sectors to expand sources of funding*
- ✓ *Emphasize the proficiency of public officials and institutions that are designated in **public investment sectors**.*

- ✓ *Attention to consequences and promote wisdom from experiences including benchmarking.*
- ✓ *Specific and demanding **framework** conditions should be kept at all levels of government.*
- ✓ *Cultivate a monetary framework adjusted to the goals chased.*
- ✓ *Entail thorough and transparent fiscal management at all levels of government.*
- ✓ ***Bookkeeping** records must be thoroughly evaluated and followed up.*
- ✓ *Encourage clearness and strategic usage of public procurement at all levels.*
- ✓ *Ensure quality and uniformity in **controlling systems** at all levels of government.*
- ✓ *Implement effective tools for co-ordination among national and sub-national levels of government.*

DISCUSSIONS !



Q & A

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CONCLUSIONS



Public investments involves me and you to evaluate and give feedback to the relevant bodies for remedial actions.

Isaiah
1:19 CEV

**“If you willingly obey me,
the best crops in the land
will be yours.”**

PUBLIC INVESTMENT QUOTE



Economy does not lie in sparing money, but in
spending it wisely.

(Thomas Henry Huxley)

1zquotes.com

QUOTE OF THE DAY



Public service must be more than
doing a job efficiently and honestly.
It must be a complete dedication to
the people and to the nation.

— *Margaret Chase Smith* —

AZ QUOTES

Q & A

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