Jordan: Developing an Efficient Public Investment Management System

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Introduction: The primary objectives of “Jordan 2025: A National Vision and Strategy” are to address the challenges of increasing living costs, poverty, and unemployment and ensure enhanced prosperity over the next 10 years. Vision 2025 envisions Jordan as an economic gateway to regional markets that takes advantage of free trade agreements signed with several countries. The most significant challenge that Jordan is confronting here is achieving a qualitative improvement in its public investments. In order to achieve accelerated, export-led growth, Jordan needs to improve its primary infrastructure and the efficiency and effectiveness of public investments.

There is good evidence of inefficiency in public investment management (PIM) in terms of: i) poor selection of projects that do not transform into productive assets, ii) unrealistic schedules in ex-ante appraisal and consequent delays in completion, iii) chronic under-execution of capital projects, iv) cost over-runs, v) neglecting to operate and maintain created assets.

Based on the government’s interest in PIM analytical work and related technical assistance from the World Bank (see Figure 1), in 2015 the Ministry of Planning & International Cooperation (MoPIC) developed a three-step roadmap, in line with the content of the IMF Stand-By Agreement, focusing on i) designing a PIM framework that includes PPP procedures, ii) a detailed assessment of the current PIM system, and iii) preparation of a three-year PIM action plan.

The PIM Framework: Since April 8, 2015, a formal system of public investment/PPP project appraisal had provided the basis and conditions for the Government of Jordan (GoJ) to move forward only those initiatives that are demonstrably the most economically attractive. Such a system allows for the transformation of “investment ideas” into “public investment/PPP projects”, and, then into “public investment/PPP decisions”. This system is designed to put projects through the Project Life Cycle (Figure 2), starting with identification of a project idea/concept and ending with the final handover to operations and then to the ex-post evaluation stage:

- As seen in the diagram below, the first phase of the project cycle is the generation of project ideas which should be informed by priorities as set out

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in the Vision 2025 to ensure they contribute to national objectives.

- Project profiles require a rigorous identification process, i.e. the identification of economic needs and of investment priorities for the public sector.
- The Pre-Feasibility Study should be done in nine required modules/studies. The first five modules are the “project building blocks” (i.e. demand, technical/engineering inputs, human resources and administrative support, environmental, and institutional/legal studies. The last four are the “analytic modules”, i.e. financial appraisal, economic/social appraisal, distributional/basic needs appraisal, the finally the risk analysis modules.

![Figure 2: PIM Framework (PIP)](image)

- The Feasibility Study is normally the most expensive and it is also the last opportunity to stop a bad project before implementation; i.e. the last chance for the relevant PIM government agency to appraise project quality.
- The Final Investment Decision may be to provide funding, either through the traditional fiscal budget, PPPs or through International Cooperation (Grants and/or Loans), and to proceed to the execution of the project. In the final investment decision, new actors may become involved with the project during this stage.

![Figure 3: PIM Framework (PPP)](image)

- The Project Operation Phase refers to when the project is able to produce its final fully operational deliverable (e.g. a new plant, product, system, etc.). The management processes now shift towards the effective and efficient delivery of the products and outputs from the new services.
- The Project Execution Phase is when the project execution plan (PEP) designed in the prior phases of the project is put into action.

The purpose of project execution is to deliver the expected project results, i.e. deliverables and outputs.

- Ex-post Project Appraisal involves assessing the actual operational results of a project and comparing them to planned forecasts. The focus is on establishing whether the project represents “value for money” and on learning lessons for future similar projects.
- The Treatment of Public-Private Partnerships (PPPs): In the lower part of Figure 2 above, there is a special procedure for projects that could potentially become PPPs. Figure 3 below is much more specific in terms of the special process for PPP’s. The Integrated Bank of Projects (IBP-Data Base) is the common backbone for all kind of project files, including those that later become PPPs.

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2 Project managers, Hedge funds, Unit Trusts, Pension funds, etc.
PIM Assessment (2015): GoJ, as all other governments, faces the challenge of allocating scarce resources (natural, human and capital) towards obtaining maximum social and economic benefit. The development of an integrated budget execution system will provide the government with a solid base for improvements that should complement budget planning and the subsequent investment process. Improvements should contribute to the integration of all line ministries and independent budget agencies in sectoral strategic plans as well as procurement processes, budget approvals and execution of public infrastructure projects, thereby establishing a solid foundation for inter-sectoral coordination and budget integration in line with Jordan’s priorities. The main recommendations of the 2015 Jordan PIM assessment were as follows:

Legal framework: A new PFM law is needed in Jordan. The PFM legal framework is based on a combination of constitutional, legislative and regulatory provisions that often differ in purpose and are not well linked. Moreover, recent budget preparation reforms are not adequately specified in the legislation which does not appropriately describe the unique features on the preparation cycle of investment projects.

Setting up of a PIM central unit: To make all investment projects follow the pre-investment project cycle (i.e. profile, pre-feasibility, feasibility study) and establish three filters or “stage gates”\(^3\). To be a part of all three stage-gate committees and provide the “seal of approval” only if projects successfully pass Stage Gate 3. To manage the Integrated Bank of Projects (project database), provide full access to MoPIC and restricted access to line ministries and independent budget units.

Strategic Planning: i) to complete all the deliverables of the strategic planning exercise, ii) put in place a system of incentives with rewards and penalties, tying the key performance indicators (KPIs) with a performance budgeting exercise, iii) gradually replace all project ideas/proposals in the Executive Development Plan (2016-2018 EDP) with ready-to-go projects (i.e. with the seal of approval), iv) include a mandatory log-frame matrix in all investment initiatives.

Project appraisal guidance: i) Gradually prepare the following set of project documentation: general project evaluation manual; guidelines on policies and procedures; guidelines per lifecycle phase; methodologies per project type; check lists for the end of the phase or stage gate reviews, ii) impose the obligatory use of a single, consistent database of unitary market prices for the valuation of project inputs and outputs, iii) commission the calculation of a set of key national parameters and shadow prices and impose their mandatory use, iv) include project templates and case studies in order to facilitate the matching training process.

Information integration: i) Establish a proprietary Integrated Bank of Projects (IBP) for Jordan, or buy an existing IBP and adapt it to GoJ organizational structures and PIM processes and conditions, ii) focus on the first subsystem (i.e. the Technical–Economical Analysis Subsystem) because it deals with the pre-investment phase of projects, iii) a new, complex and comprehensive IT tool such as the proposed IBP must be adapted to GoJ conditions, but so must the current organizational structure and PIM processes of the Ministry of Finance (MoF), MoPIC and line ministries be adapted to the new IBP.

Capacity building: i) Roll out the PIM capacity building strategy to build a critical mass of public officials who can be experts in project design/formulation, appraisal, and selection for this system to function at the national, governorate, and municipal levels, ii) priority should be given to public officials’ training on the Log Frame Approach and project key performance indicators (KPIs) in general, and to preparation of pre-feasibility and feasibility studies by line ministries in particular, iii) the training institute of the Central Bank of Jordan should prepare yearly courses to train public officials in different topics of interest in public investment, including the use of the new IBP.

Establishing management functions inside the PIMS: i) Integrate all line ministries, independent budget agencies and governorates in sector strategic planning, as well as procurement processes, ii) ensure that all public investments progress through a strengthened PIMS that ensures established quality controls - both in terms of technical effectiveness and

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3 Stage Gate 1 for Project Profiles; Stage Gate No2 for Pre-Feasibility Studies; Stage Gate No3 for Feasibility Studies.
economic efficiency, iii) ensure that projects remain within their budgets and have confirmed sources of financing, iv) keep strategic projects on track while making room for immediate priorities (security, refugees in particular).

Defining project selection criteria for the medium and long term: i) Define and formalize project selection criteria for public investment prioritization for the period 2016–2018. In the medium term, the government should improve the process of project prioritization, ii) define and formalize a project selection criteria for public investment prioritization for 2019 and subsequent periods. In the long term, the government should improve the process of project prioritization.

Improving public investment in terms of project management: i) Create PIMS units for project management (execution, monitoring and follow-up) in line ministries. These units will be a group within a government agency that defines and maintains project management standards for several related project, ii) develop guidelines, methodologies, templates and tools for project management (execution, monitoring and follow-up) - any project execution methodology should be based on a global project management standard, iii) implement training programs in project management (execution, monitoring and follow up) - a professional project management training program should provide a qualification that reflects the role of individuals who possess a sound theoretical knowledge base and use a range of specialized, technical or managerial competencies to plan, carry out and evaluate their own work and/or the work of a project team, iv) improve the ex-post evaluation process in order to build a framework for ex-post evaluation, v) strengthen and modernize the public procurement system. This action will support the high-priority public procurement reform activities in Jordan that are aimed at modernizing the public procurement system and strengthening its management through modernizing the legal framework, issuance of standard bidding documents, templates, and procurement plans, and promotion of the professionalism of the procurement workforce.

PIM Action Plan (2016-2018): This PIMS for Jordan was developed as a comprehensive set of concepts, techniques, standards, and methodological procedures, and as a uniform information and document depository and management system for the formulation, preparation and evaluation of projects. In accordance with international best practices, it is proposed that the following activities be developed in Jordan in order to improve the current public investment procedures and to install a complete PIMS in the country (Figure 4). These actions and correlated activities are proposed in a calendar for short- and medium-term implementation (2016–2018).

These actions are intended to strengthen the Jordan PIMS to ensure an efficient investment process, to maximize the expected return on investment projects and ensure their contribution to increasing national welfare.

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