TAIEX SRSP Workshop on Policy Coordination and Performance Assessment of Public Policies



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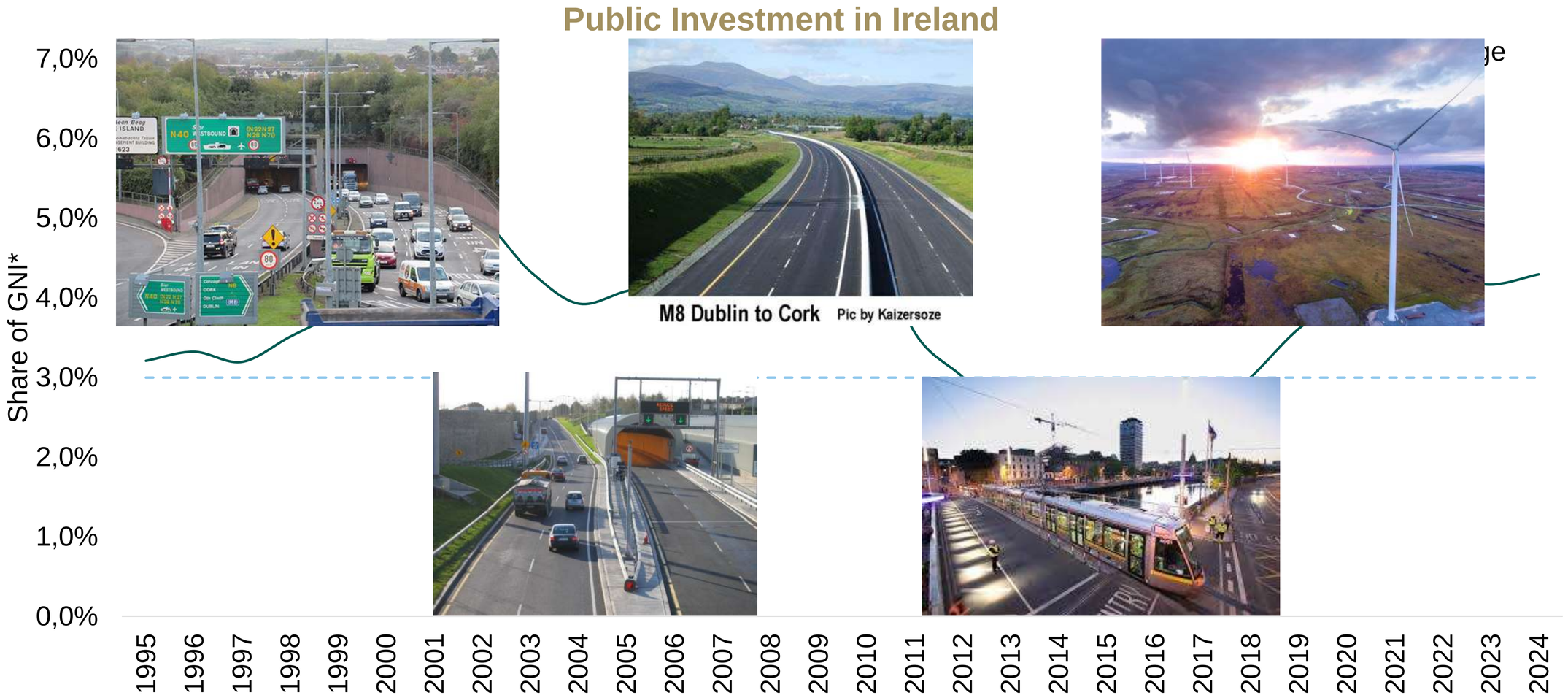
Department of Public
Expenditure and Reform

The Mid-Term Review of Ireland's Capital Plan

Fionn Jenkinson
Investment Projects and Programmes Office
February 2019

Context: Ireland's public investment has been historically volatile but the state has consistently delivered major infrastructure



Strong evidence base developed the over the course of 2017 for an increase in public investment

1. **Independent Analysis**

- ❑ IMF PIMA – management of public investment is generally good but with areas for improvement

2. **Economic Analysis**

- ❑ Demand Analysis – Increased demand forecast across most sectors, however decreases expected in primary followed by secondary education

3. **Context and Consultation**

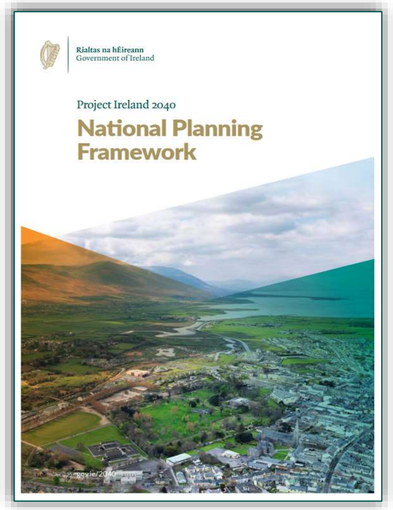
- ❑ Mid-Term Review – set the wider economic context and incorporated consultation feedback from Departments and stakeholders



1. PIMA - Coordination and Oversight

PIMA: Integrate the spatial, sectoral and 10-year capital funding plans and integrate planning strategies vertically and horizontally

- Project Ireland 2040 sets out a clear long-term spatial strategy backed by investment of €116 billion over the 10 years to 2027.
- Cascades into regional spatial plans, development plans, and also forthcoming sectoral strategies such as transport and industrial strategies etc.



PIMA: Establish an Infrastructure Projects Unit within DPER

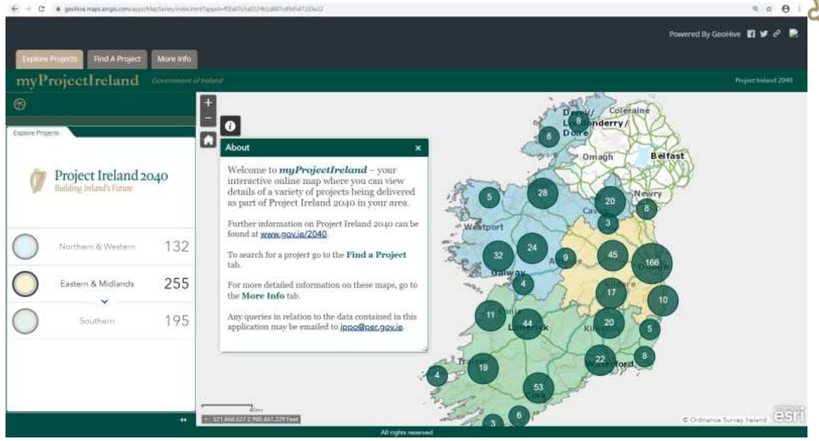
- Investment Projects and Programmes Office
  - *Project Ireland 2040 Delivery Board*
  - *Monitoring investment and capacity*
  - *Supporting value-for-money*
  - *Proactive communications*

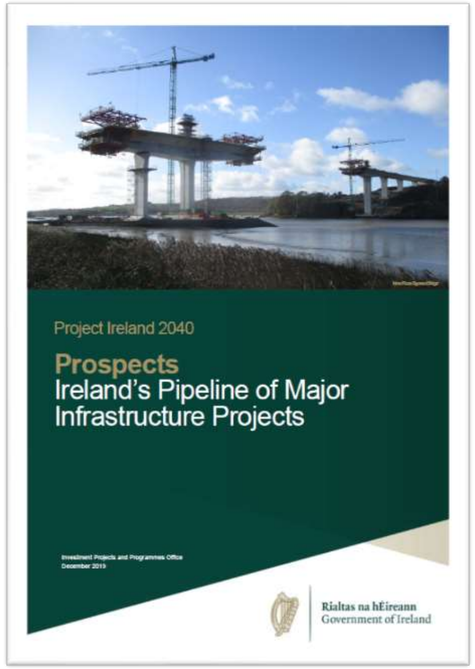


1. PIMA - Monitoring Implementation

PIMA: Further develop the Capital Tracker database

- Investment Projects Tracker published for the first time in 2017 and updated in 2018.
- *MyProjectIreland* mapping tool went live in May 2019. Available on gov.ie/2040 – information on over 600 projects and programmes.
- The latest iteration of the Investment Tracker was published on 7th January 2020.
  - *Cost range*
  - *Stage of project lifecycle*
  - *Estimated commencement and completion dates*
- Monitoring of the construction sector also taking place.

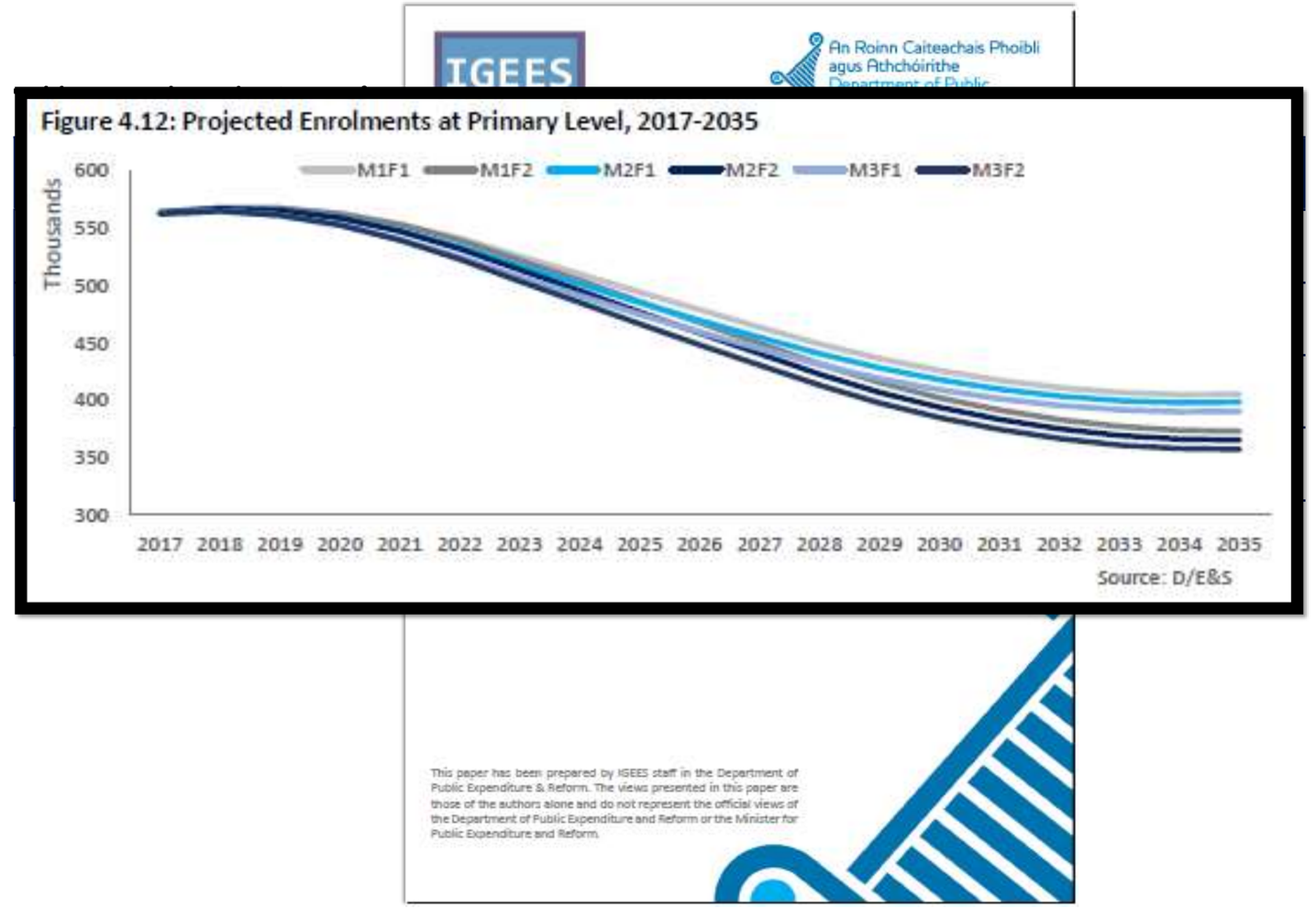






2. Infrastructure Capacity and Demand Analysis

1. Previous investment
2. Existing infrastructure
3. Drivers of demand
4. Trend in demand drivers



2. Infrastructure Capacity and Demand Analysis

1. **Transport** demand is growing and would be expected to expand further in future years in line with forecast economic growth rates.

2. In the **Health** sector, a continued shift towards primary care may help meet the growing demands of an ageing population, however further research is required.

3. In **Education**, the number of students set to attend third level will increase which may exert further pressure on capacity.

4. Significant pressure is evident in the **Housing** sector.

5. Planned investment by **Irish Water** seeks to strike a balance between the demand for water infrastructure investment and the constraints that currently exist in terms of affordability, planning requirements and supply chain issues.

3. Context and Consultation

1. Macro-economic and Fiscal Context
2. Progress on Delivery
3. Departmental Submissions
4. Public and Stakeholder Engagement
5. Resourcing and Next Steps



Project Ireland 2040

- Published in February 2018.
- Combining a new National Planning Framework with a ten year investment strategy.
- 75% of the growth to be outside of Dublin and its suburbs.
- 50% of growth in cities of Dublin, Cork, Limerick, Galway and Waterford.
- Moving beyond the approach of the past which saw public investment spread too thinly and investment decisions which didn't align with a spatial strategy.



Aligning Strategy and Investment

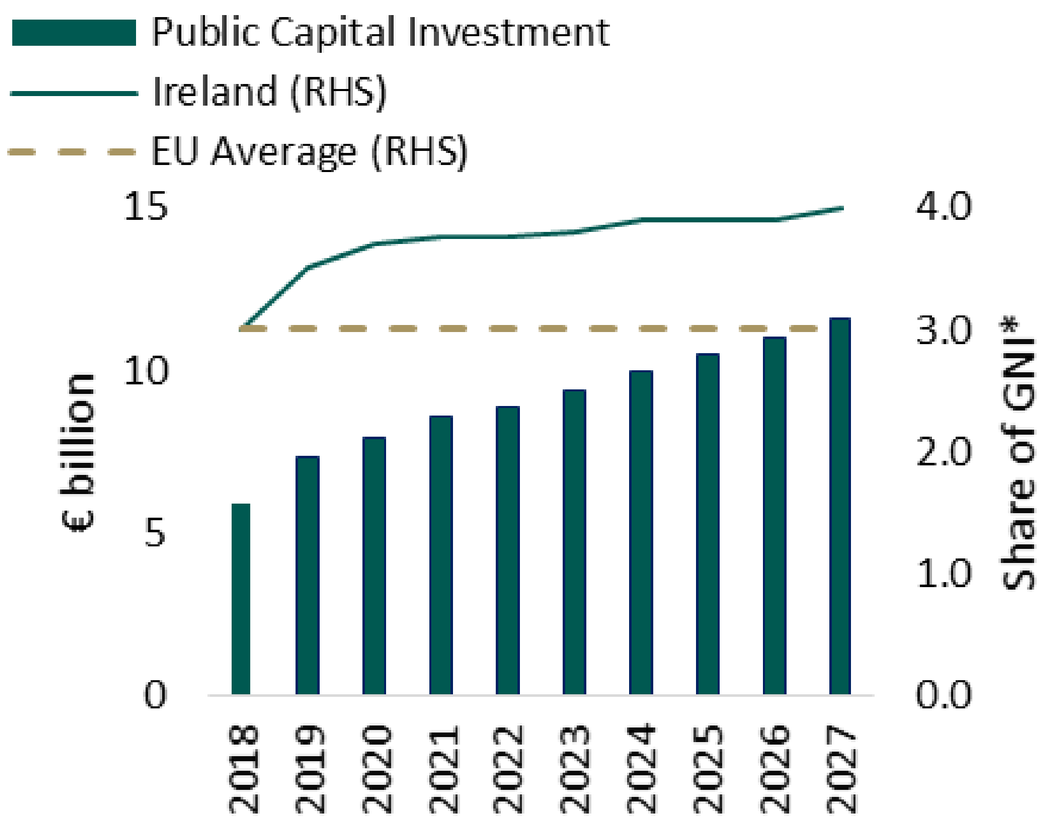




A major expansion in public investment

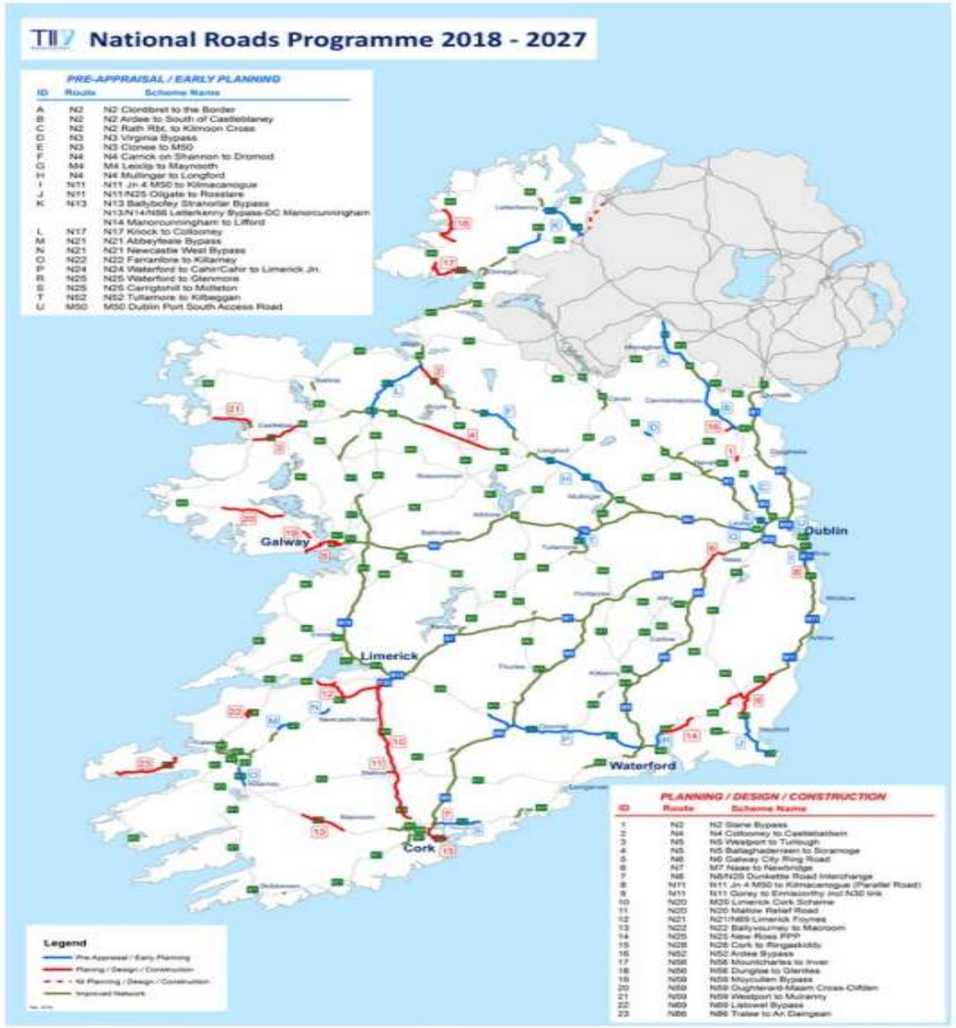
- Over €90 billion in Exchequer funding and €25 billion from commercial state sector.
- €8.2 billion Exchequer investment in 2020 (11% increase vs. 2019)
- 4% - Exchequer investment as share of GNI* in 2020
- This increase in investment has seen Ireland surpass the EU average as a share of national income and help address infrastructure deficits that have emerged during the recovery.

Planned public investment 2018-2027



Source: National Development Plan

Major road and sustainable transport projects contained in the NDP





Source: TII



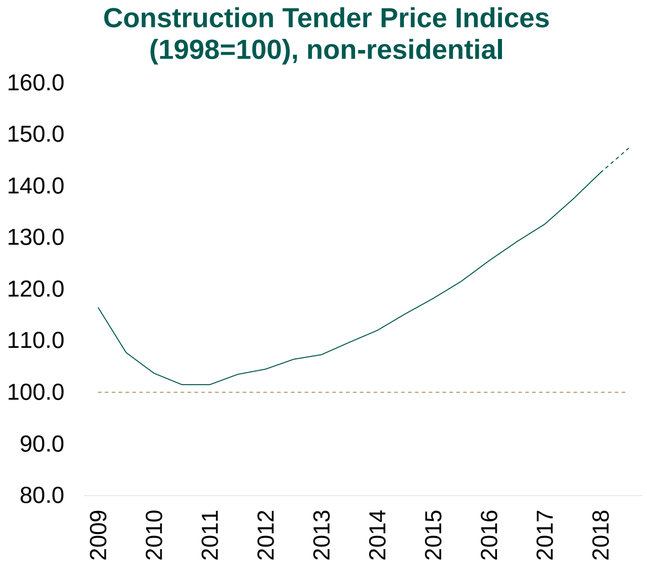
Challenges and Risks

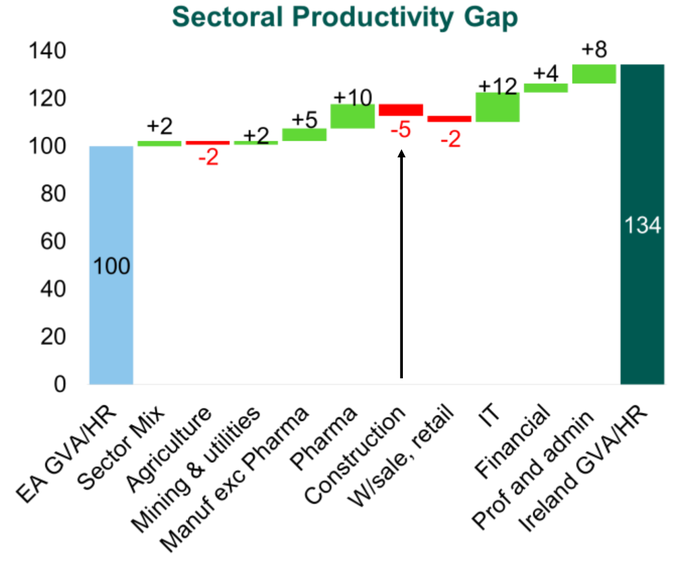
Constrained capacity in construction sector

- ❑ We are already seeing substantial construction price inflation.
- ❑ Added to this, combined public and private investment is forecast to grow by 50% in the next five years.

We are pursuing a three-pronged approach to expanding capacity

1. Expansion of the work-force (though not to pre-crash levels)
2. Attraction of capacity from overseas
3. Improvement in productivity.





Source: BUILD Report

Rialtas na hÉireann
Government of Ireland

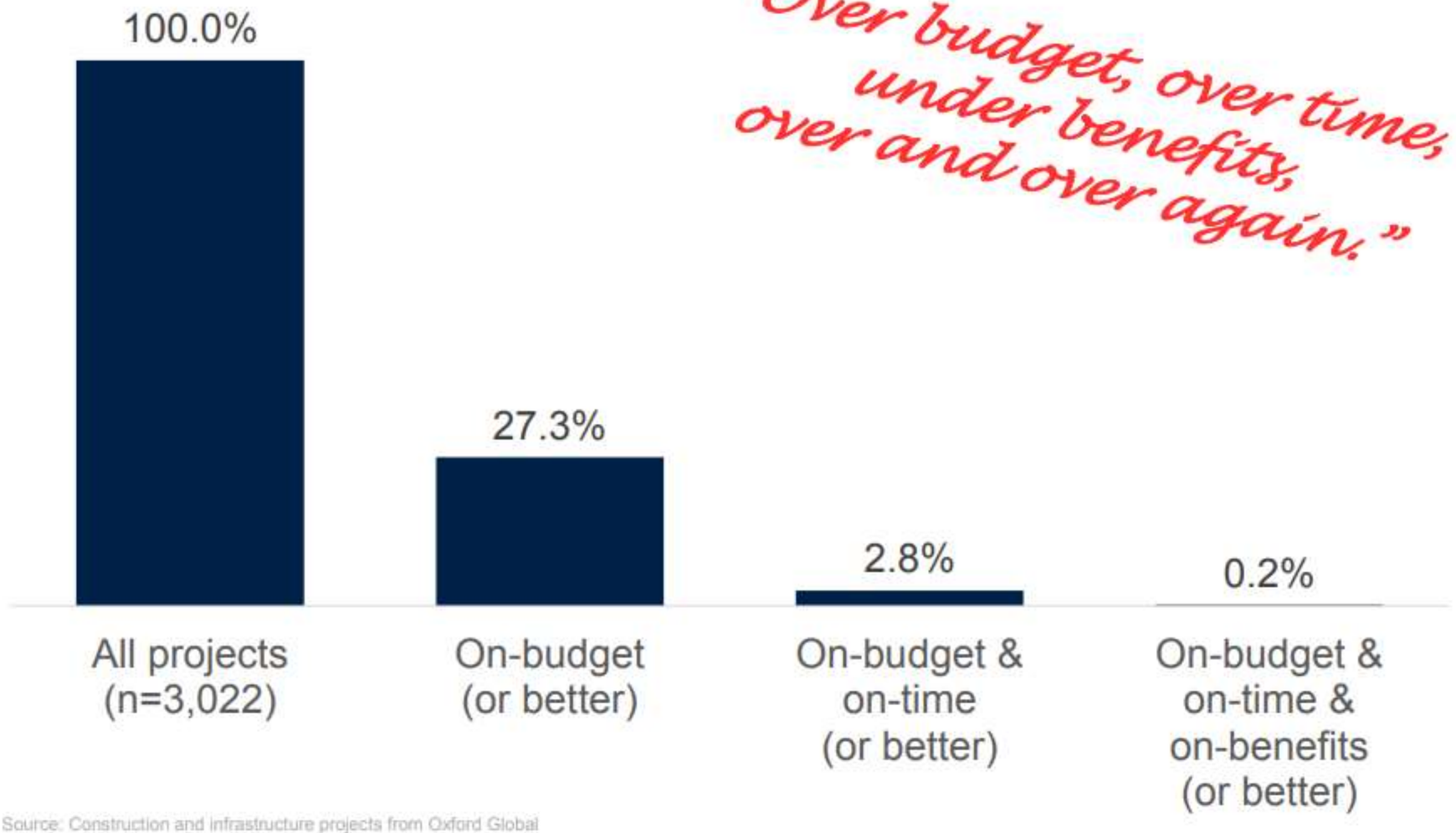
Project Ireland 2040
Building Ireland's Future

The Public Spending Code

Fionn Jenkinson
Investment Projects and Programmes Office
February 2019

The Iron Law of Megaprojects

(A statistical, not a deterministic, law)



"Over budget, over time, under benefits, over and over again."

Source: Construction and infrastructure projects from Oxford Global Projects Database (July 2019)

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Why do Projects go wrong?

OPTIMISM BIAS

Failure to adequately consider & provide for risk

Scope Creep

Failure to consider all the costs

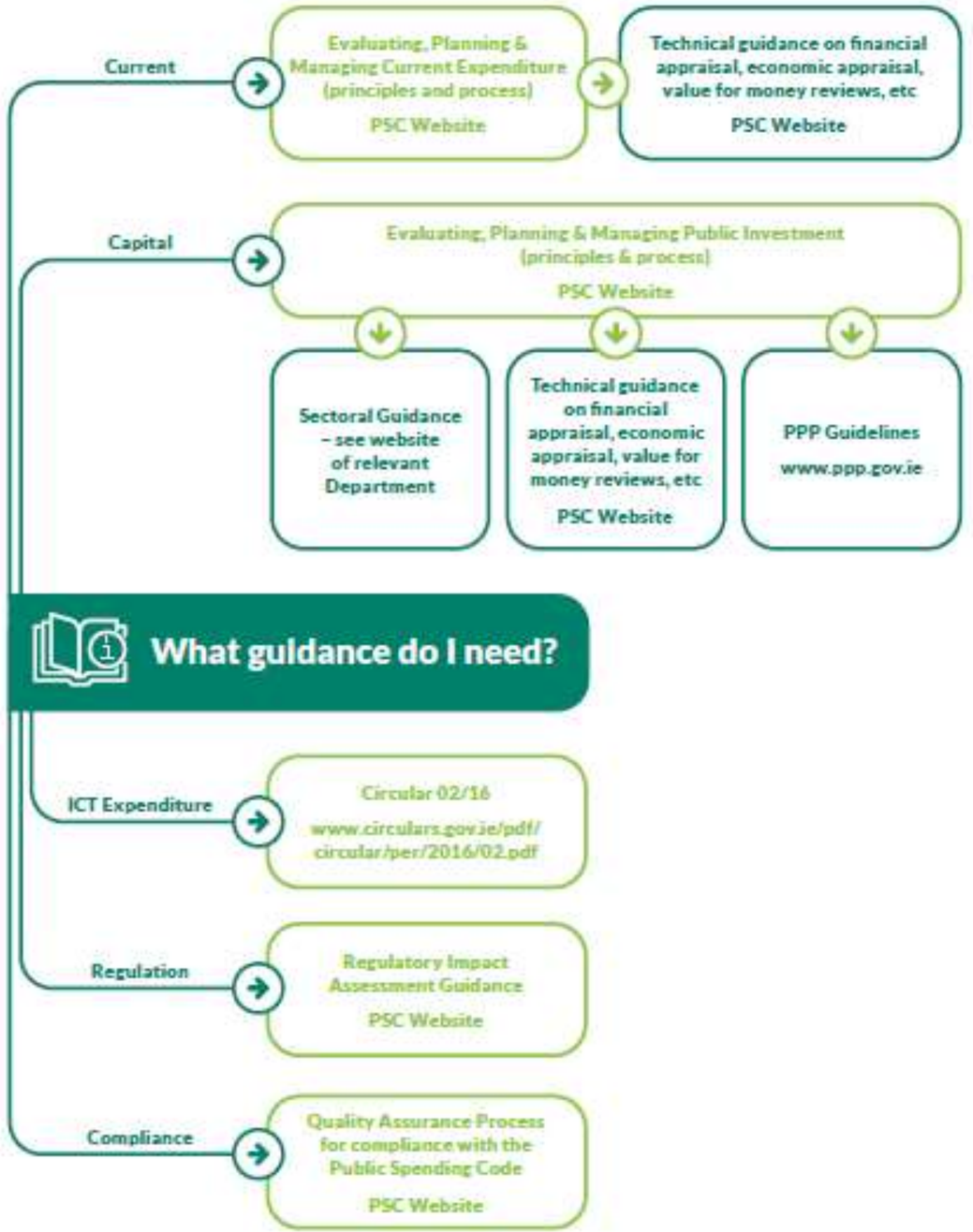
Inadequate or inappropriate governance

Lack of clear objectives

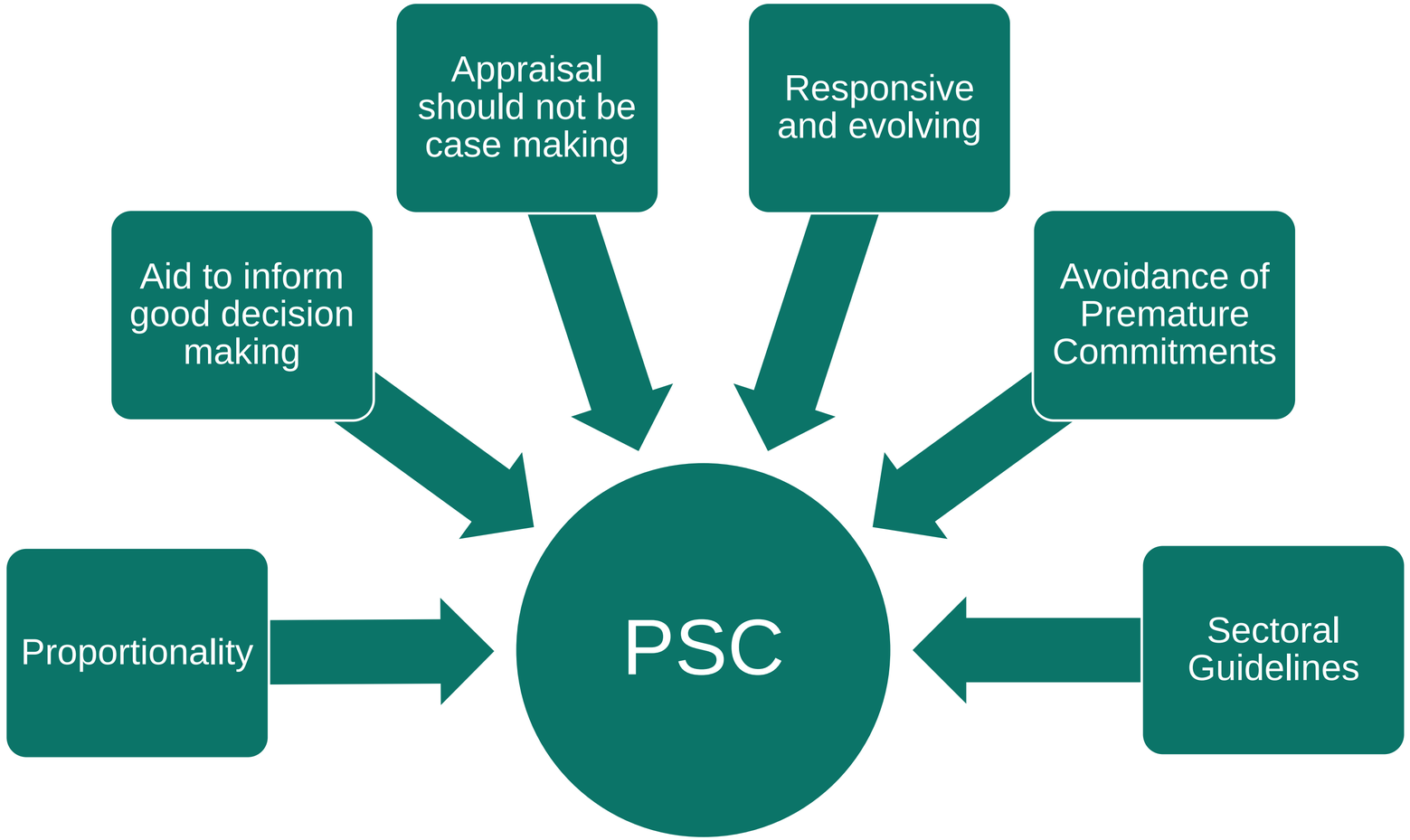


What is the Public Spending Code?

The Public Spending Code brings together in one place details of the **obligations** that those responsible for spending public money are obliged to adhere to as well as **guidance material** on how to comply with the obligations outlined.



General Principles of the Code



Focus of the recent Update

We are ensuring Value for Money

Reforms include



Better project management



Improved planning and managing of costs and risks



Stronger governance of projects



Better assurance of major projects

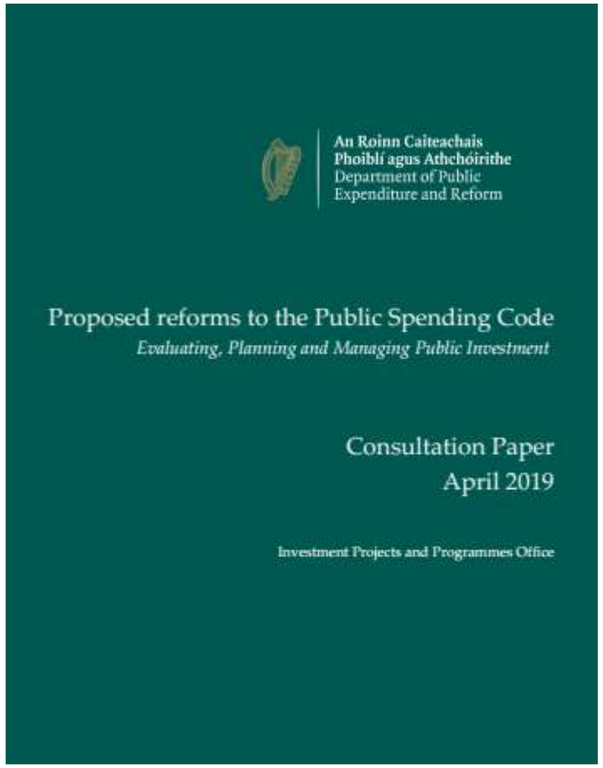


Increased transparency

Ensuring Value for Money in Public Investment

Update on the Public Spending Code – Capital Expenditure

- Consultation paper issued to Departments and Agencies on 10th April.
  - 26 submissions received.
- Three workshops with Departments and Agencies.
  - Engagement with over 150 public service stakeholders.
  - Supported by bilateral engagement with Departments as required and agencies
- Working draft circulated in July for final round of consultation which closed on Friday 6th September
  - 12 submissions received.



Consultation paper

Key Principles of Public Financial Management

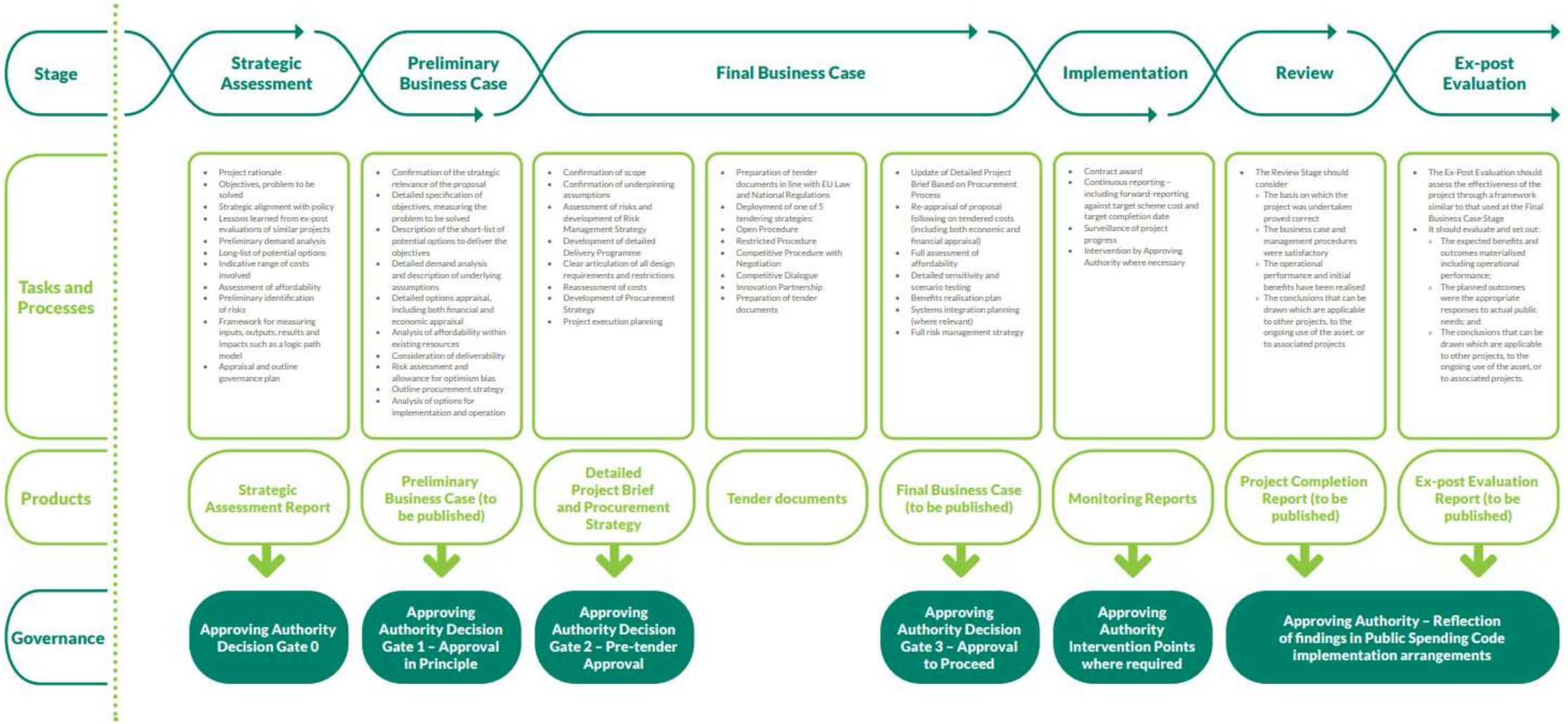
- Primacy of the Accounting Officer.
- Responsibility of relevant Accounting Officer to ensure compliance with the Public Spending Code.
- The PSC requirements apply to all bodies in receipt of public funding.
- PSC will continue to be clearly aligned with the Capital Works Management Framework.

Key Changes to the Public Spending Code

- More accessible guidance with greater clarity on governance, roles, and responsibilities.
- Greater alignment with realities of project delivery.
- Earlier engagement and scrutiny of projects through the new Strategic Assessment Stage.
- More focus on financial analysis and affordability.
- Expanding the focus for a wider consideration of the business case for projects, i.e.
  - Appraisal, **AND**
  - design,
  - procurement strategy,
  - deliverability,
  - Risk.
- No decision until the final business case which includes analysis updated with the results of the tender process.



Project Lifecycle and Decision Gates



Key Changes to the approach to Appraisal

Thresholds	
<€10 million	No need to conduct Strategic Assessment Report Consideration if need for economic appraisal Ex Post Evaluation on sample of projects
<€100 million	Technical review of Strategic Assessment Reports and Business Cases by Approving Authority
>€100 million	Technical review of Strategic Assessment Reports and Business Cases by DPER Government as the Approving Authority New External Review Process at Key Decision Gates

Table 3.1 Economic appraisal methodologies and investment sectors

Sectors for which CBA may be more suitable:	Sectors for which CEA and/or MCA may be more suitable
▪ Energy ▪ Transport ▪ Enterprise & Innovation ▪ Health (new capacity) ▪ Environmental infrastructure (including flood defence) ▪ Agri-food ▪ Communications ▪ Tourism ▪ Higher Education	▪ Housing ▪ Health (replacement and refurbishment) ▪ Urban and regional development ▪ Public Buildings ▪ Culture ▪ Schools

Risk, optimism bias and external perspectives

- Cost overruns on major projects is a global issue (see opposite)
- This is not a public sector phenomenon – private projects are as prone to under-performance.
- Factors such as ‘scope creep’, ‘planning delays’ are often cited
- But these are symptoms, not causes.
- The root cause can often be derived from a various biases including optimism bias.
- Approaches such as Reference Class Forecasting and benchmarking can assist in bringing external perspectives and experience from previous projects.
- Some countries have introduced mechanisms to ensure external perspectives are brought to bear on project preparation and costing.
- The next phase of the Code will look at similar arrangements for the largest programmes

Project	Cost over-run (%)
Suez Canal, Egypt	1,900
Scottish Parliament Building, Scotland	1,600
Sydney Opera House, Australia	1,400
Montreal Summer Olypics, Canada	1,300
Concorde Supersonic aeroplane, UK, France	1,100
Troy and Greenfield Railroad, USA	900
Excalibur Smart Projectile, USA, Sweden	650
Canadian Firearms Registry, Canada	590
Lake Placid Winter Olympics, USA	560
Medicare Transaction System, USA	560
National Health Service IT, UK	550
Bank of Norway Headquarters, Norway	440
Furka Base Tunnel, Switzerland	300
Verrazano Narrow Bridge, USA	280
Boston Big Dig, USA	220
Denver International Airport, USA	200
Panama Canal, Panama	200
Minneapolis Hiawatha light rail, USA	190
Humber Bridge, UK	180
Dublin Port Tunnel, Ireland	160
Montreal Metro Laval Extension, Canada	160
Copenhagen Matro, Denmark	150
Boston - New York - Washington railway, USA	130
Great Belt Rail Tunnel, Denkark	120
Brooklyn Bridge, USA	100
Shinkansen Joetsu high speed rail, Japan	100
Channel Tunnel, UK, France	80
Karlsruhe-Bretten light rail, Germay	80
London Jubilee Line Extension, UK	80
Bangkok Metro, Thailand	70
Mexico Coty Metro, Mexico	60
High-speed Rail Line South, Netherlands	60
Great Bel East Bridge, Denmark	50

Source: Flyvbjerg (2014) What you should know about Mega Projects and Why: An Overview

Governance of Major Projects

- Arrangements for assurance of major projects are in development.
- Informed by international best practice.
- Project and programme assurance including
  - *robustness of planned delivery,*
  - *accuracy of cost forecasts,*
  - *consideration of risk,*
  - *appropriateness of procurement strategies.*
- Independent external review of projects over €100m at key stages.
- Operational in 2020.



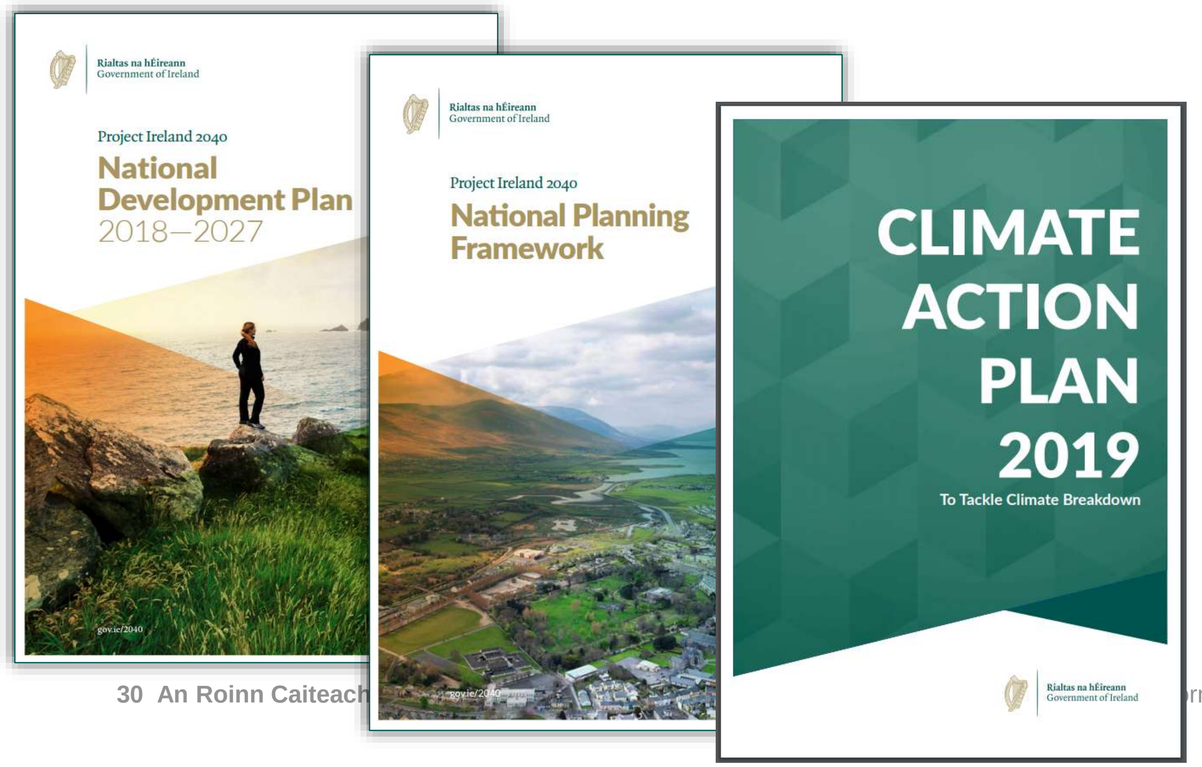
What's Next for the PSC?

- Awareness Raising
- Alignment of Sectoral Guidance
- Spot Checks
- Evolving programme of further reform including:
  - *Economic Appraisal guidance*
  - *Financial Appraisal guidance*
  - *Programme Appraisal Guidance*
  - *Development of Templates*



What's Next for Investment Management Reform?

- Common analytical framework on estimating demand pressures and infrastructure gaps.
- Investment alignment.
- Alignment with core national policies, in particular the Climate Action Plan.





Website Links

- New Public Spending Code Website
  - *https://www.gov.ie/en/publication/public-spending-code/*
- Project Ireland 2040 – Map and Tracker
  - *https://www.gov.ie/en/campaigns/09022006-project-ireland-2040/*



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