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## Public investment management system in Kuwait

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**Abstract:** The study is designed to review and assess the existing institutional framework of public investment management system (PIMS) in Kuwait. Some of the key processes, issues and challenges are debated within which the role of the government as a manager, financier and regulator is defined. A number of weaknesses and strengths in system such as transparency, ownership, technical capacity and regulatory capacity are discussed. The results suggest absence of detailed procedures and guidelines at the country level which can link the development and perspective plans with multiyear fiscal commitments. The system is inadequately linked with the perspective vision and plan documents. Sectoral priorities are yet to be related to the development plans and with the institutional frameworks. The system suffers from shortage of technical staff, evaluation of alternatives and rigorous cost benefit analysis. The system needs to be integrated with national development vision, plans, investment programs and projects. It requires to be implemented by strengthening the various skills, stakeholders' ownership at national level.

**Keywords:** public investment; management system; institutional framework; project management; vision; policy; planning.

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### 1 Introduction

Theoretically, public investment management system (PIMS) is an interdependent and interrelated system of selecting, funding and implementing of projects. The system should be consistent with the government's economic policies and priorities specific to sectors or subsectors. PIMS is similar to a public finance system, which is a system that has a multiple year budgets with aggregate objectives of fiscal discipline. Though PIMS

is a system which has an objective to achieve macroeconomic goals – an efficient PIMS usually delivers the expected outcomes and outputs in timely fashion in line with the long-term macroeconomic objectives (Brumby and Kaiser, 2013). Macroeconomic aspects indicate that public investment expenditure are highly concerned with the capacity to manage the change and development, balance the consumption and investment options in the Society, in addition to diversity the resources base by linking the investment options with the strategic vision. Therefore, it can play an important role in growth and development (Albino-War et al., 2014).

Literature indicates that investment in infrastructure contributes positive effects on economic growth and on long-term development provided that the investment is of high quality (Gupta et al., 2014). Enhancing the quality of infrastructure is the essence of PIMS. The quality of infrastructure, in turn is linked with the technical soundness of projects. Major features of technical soundness are *ex-ante* appraisals, efficient implementation, monitoring and maintenance and evaluation.

No doubt, harvesting the benefits of investment is a complex process that requires strong and capable administration and sound institutional arrangements. Desirable development outcome is associated with a set of functions which are directly linked with rigorous *ex-ante* and *ex-post* appraisals of projects or through social cost benefit analysis, realisation of rates of returns and the social impact assessments. The efficient governments which are equipped with technical and economic services are setting prioritised investment plans first and then subject these to a rigorous analysis. The process is very complex but necessary. It requires a set of information, technical expertise. Sometimes the information is available but priorities are generally misaligned due to certain economic behaviours of rent seeking, corruption and artificial scarcities. This fact compels the decision makers to act in a fashion which is socially not desirable (Brumby and Kaiser, 2013).

Kuwait's PIMS is not an exception to this phenomenon. Government policy makers are increasingly concerned with the low level of efficiency and the quality of their public investment. Kuwait performs better than the average for oil exports in the MENA region in terms of PIM index scores but it still falls behind compared to other emerging market economies (IMF, 2014). A number of projects are reported to be suffering from a number of problems at different levels of project cycles. These problems range from poor selections including wasteful projects, delays at various stages of project cycle to cost over-runs and poor returns. The process of planning and implementation suffers from different issues. Capacity and capability of institutions, quality of decision-making at the administration and governance are the other widely recognised problems. The viability, design and implementation of projects are again a matter of concern as the projects are either delayed by red-tape and bureaucracy, poor and outdated legislative base or wider deficiencies in laws (IMF, 2012).

No doubt, converting investment into value-for-money assets is a complex process. Stories of mismanagement and inefficiency appear frequently in the media. The different weaknesses at various levels of government and projects are being highlighted. Maintaining these assets, realising the rates of returns, impact and lower level of social benefits are the major issues which policy makers are confronting on day today basis. Recently, (IMF, 2012) suggests focusing on the development plan by expending more on social and key physical infrastructure projects.

Strong planning with a capable institutional framework and an efficient management system of public investment are very important and desirable elements which can ensure

productive and qualitative public investments. Therefore, the context of Kuwait PIMS is an interesting case study to be investigated. The paper is an attempt to review the process, institutional framework and its associated link with country's long-term macroeconomic objectives and goals.

To the best of the author's knowledge, any serious attempt has ever been made in the context of Kuwait. This attempt has been made with the following objectives:

- 1 to review and highlight the diverse nature of existing institutional PIMS framework in Kuwait
- 2 to identify some of the key processes, issues and challenges especially with funding (cost, timing, and sequencing), managing and execution
- 3 to initiate a debate towards outlining the necessary framework or modalities in which role of the government as a manager, financier and regulator
- 4 to apply basic diagnostic framework for assessing the existing functioning of PIMS and reflect the necessary 'must-have' criterion
- 5 to suggest appropriate policy recommendations for making the system more efficient, consistent, well-functioning and reliable.

Rest of the chapter is organised as Section 2 describes the PIMS in Kuwait. Section 3 details the methodological approach. Section 4 is an analysis of pre-requisite 'must have' features, challenges and binding constraints. Section 5 is of country gap analyses with examples of best practice cases of different countries and Section 6 is conclusion and recommendations.

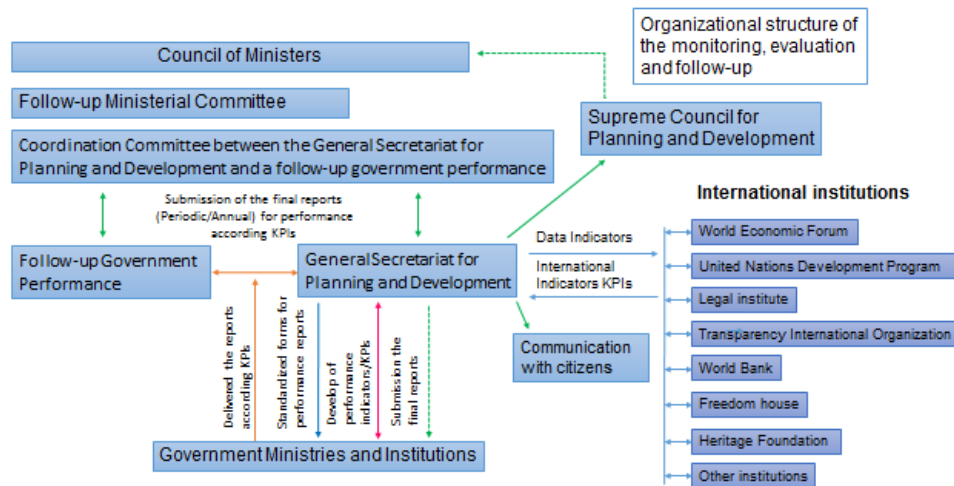
## **2 PIMS in Kuwait**

PIMS in Kuwait is similar to a public financial management system. Where a multiyear capital projects require cost and budget resources which are usually planned in advance and consequently managed and implemented over the time. PIMS in Kuwait has a public as well as private sector ownership along with present of few public corporations. The total investment is managed through public and with public-private partnership (PPP) with substantial sole private investment as well. The financing sources are according to the level of ownership. The managing agencies and types of investment vary with the level of regulatory mechanism at various multi-level stages (IMF, 2014).

A number of ministries, institutions and agencies such as Mega Project Agency, Ministry of Works, Ministry of Finance and Supreme Council of Planning and Development are responsible for overall management of the PIMS. A number of beneficiary entities are involved at various project cycles from design to implementing level agencies. A substantial number of ministries, independent public sector or quasi-public sector organisations and corporations are also involved in the decision-making process where the investment is under PP. The control and responsibilities such as designing, approving, implementing and handover of project are based on built, operate and transfer (BOT) law in PPP investment. Kuwait has a Partnerships Technical Bureau (PTB) which has issued a project guidebook for PPP Projects under Law No. 7 of 2008 (PTB, 2009).

Effective planning and management of public investment management is a challenge and a complex process. In many countries, strategic planning documents often define policy goals in much broader terms with little considerations on policy trade-offs or financial implications. If the policy priorities are weakly linked with the framework or vaguely defined, the necessary allocation priorities could be distorted. Below is an organisational chart which suggests an overall strategic framework of the planning process and key ministries involvement in case of Kuwait. Supreme council of planning and development is the key ministry for planning for medium term plans. Other government agencies are responsible for decision-making system, regulatory mechanism, and key performance indicators. Strategic planning is a first step process for any efficient and high quality management of public resources. Figure 1 illustrates institutions entities, evaluation and follow-up among the various government entities and general secretariat of planning.

**Figure 1** Organisational structure of the monitoring, evaluation and follow up (see online version for colours)



Source: MOP (2009)

Global financial crises of 2008 have had major impact on economy of the state of Kuwait. The country has experienced declining growth rates, export revenues, collapse of its stocks, bond prices and declining rates of bank deposits (Markaz, 2012). Successive governments in Kuwait, in response to global economic crises of 2008 have attempted to design the vision of development through various development plans (such as vision 2035, mid-range development plan 2009/10-2013/14 and 2015/16-2019-20). Vision 2035 document states:

“Kuwait is transforming into a financial and trade center, that is attractive to investors, where the private sector leads the economy, creating competition and promoting production efficiency, under the umbrella of enabling government institutions, which accentuates values, safeguards social identity, achieves human resource development balanced development, provides adequate infrastructure, advanced legislation and an inspired business environment. The formula of the state vision until 2035, as framed above, reflects a range of meanings, ambitions and aspirations.” [MOP, (2009), p.17]

The ambitious public sector investment program is launched with more than 1,100 mega projects with estimated cost (\$125 b) for next five years under the mid-range development plan in 2009/10. At the time of economic crises, the government response was logical to shore up the public spending as an attractive centre piece for fiscal expansion by directing the mega projects to bring economic stability and spur the longer-term growth. The ambitious nature of the development plans which reflects the government's determination for the revival of the economy is launched in 2010. However; the ambitiousness raises the scepticism about the government's ability to deliver it efficiently. Reports pointed out that government bureaucracy has prevented higher spending targets in the past (Kamco Research, 2011a; Capital Standards, 2013; Markaz, 2012; among others).

The infrastructure quality and the investment expenditure in Kuwait are lagging far behind a number of GCC countries. Kuwait's infrastructure quality index is less than five out of seven and government investment to GDP is around 3% (Moreno-Dodson, 2012). Kuwait infrastructure quality and expenditure as percentage of GDP is far below than their other neighbouring GCC countries. Kuwait is expending very little share of capital expenditure to GDP on investment. Kamco (2011b) indicates that the trends in capital spending as percentage of GDP in comparison with GCC countries for the year 2008–2010 to 2010 is less than 3% of GDP whereas, the rest of the GCC countries excluding UAE have higher public capital expenditure than Kuwait. The public capital expenditure of Kuwait is hardly 3.5% of GDP in 2012, whereas, Oman, Saudi Arabia and Qatar has more than 12, 9.8 and 14% respectively during the same period.

Based on the available data for year 2010/11 on progress of development plans, Markaz (2013) presentation suggests 15% of total budget is actually utilised against the budgeted expenditure. A number of projects are either delayed or cancelled due to several other constraints as well. Time delay and cost over-runs are not only the unique features of Kuwait PIMS but institutional constraints are also coupled with these phenomena. Moreover, it is recognised in the literature that cost over-runs and time delays are also a global phenomenon (CoST, 2011).

### **3 Methodological approach**

World Bank PIMS framework (Rajaram et al., 2010) is a widely recognised framework in literature. The framework is extensively used in different countries' context in assessing PIMS. Under this framework, the focus is to assess the system based on the parameters such as strategic vision, guidance, appraisal, project selection, management, implementation and evaluation of the various aspects of projects. The framework offers a pragmatic and objective diagnostic approach towards assessing the PIMS in different countries. Combined approaches are consisted of 'must have' and 'gap analysis' that compare the difference between the actual against the standard functioning system.

These approaches seem relevant and are very useful to assess the main features of PIMS in Kuwait and their effectiveness. The use of these approaches has multiple benefits such as

- 1 use of input and outputs process
- 2 assess the functioning of actual public investment system

- 3 provide the objective measures of efficiency/inefficiency
- 4 identify the decision nodes of existing process within institutions, capacity and incentives
- 5 detect any weaknesses in process, for example, if there is time over-run or cost over-run could be linked with the appraisal estimates, poor design, or problem with procurement or combination of all factors
- 6 Time and delays may indicate poor level of planning and management and possibly procurement delays or labour laws.

The best practices in various countries case studies are also discussed where the PIMS reform process in different countries context is being implemented. The purpose is to build and strengthen the institutional features that would minimise the risks and shall shed light on the Kuwait PIMS and shall suggest insights.

#### **4 Basic PIMS system and ‘must have’ features: key challenges and binding constraints**

Strategic guidance for public investment is a very important feature for any standard PIMS at national level that can direct the line ministries and the government for making sound decisions at sectoral level investments. Strategic guidance is usually reflected in national plans and strategic vision documents. It directs and sets the national level priorities.

Project planning, appraisal and selection are fundamental to a sound PIMS. Planning sometimes is heavily biased in favour of one sector with specific number of possible investment options contrary to the well-defined set of priorities in that sector. The mutual dependencies between the policy areas and the real projects are very important to materialise the benefits. Prefeasibility, feasibility studies along with environment and social impact assessment exercises are helpful at initial level of compiling the important data, inputs and outcomes of the projects. In depth analysis of the various outcomes and alternatives of the investment, risks, costs and benefits analysis, regulatory requirements, implementation and evaluation processes are very important to further strengthen the realisation of future benefits. The quality of cost benefit analysis is usually reviewed independently. The review results normally are not a significant factor for project selection. The selection criteria are tending to be a political discretion and subject to the compelling economic circumstances. It is a recognisable fact that cost under estimation and over-estimation of benefits is very common. Independent review may help in self-serving biases and subjective assessment in evaluation. The process could be lengthy because of involvement of multiple players but necessary and is a clear accountable process that could build a transparent appraisal system.

The project budgeting and the evaluation could have an overlapping process or different level of time tables. The budget in the project cycle is a fiscal framework that establishes a certain envelope within which the sound program of investment can be undertaken. Only scrutinised and appraised projects shall be taken as implementation projects. The design, implementation, organisational arrangement should be realistic in terms of timetable and the capacity to implement.

What is important at the implementation level is the procurement plans guidelines for implementation, institutional capacity and ability to manage and monitor the projects. Implementation and monitoring agencies can play decisive role in assuring the technical efficiency and achievement of immediate outputs and outcomes. The strong institutional framework may create checks and balances on quality at the front-end and successive implementation during the process. The projects must have flexibility to incorporate necessary changes in specific circumstances. Certainly, the measures which ensure the stated benefits to be realised at the level of completions be verified priory. Finally, the *ex-post* evaluation of outcomes and outputs is an often neglect but very essential element in enabling the PIMS to self-improve over the time and create incentives for performance in other projects (Rajaram et al., 2010).

#### *4.1 Transparency*

The government of Kuwait is committed in facilitating the procedures, modernising the laws and creating an enabling environment for the investment that encourages including foreign investors to make Kuwait financial and services sector as regional hub. Central Tender Committee and Public Land Law (105/1980) facilitate the procedure of awarding the public projects or lands to private companies. However, the violation of laws creates sometimes frictions between parliament and the government. Violation of standard procedures and transparency generate frictions on the procedures. Many questions are being asked in parliament and in public media about the way the government has adopted to allocate public tenders and projects to private companies. Bertelsmann Stiftung's Transformation Index (2014) concludes that Kuwait needs to make the sensitive procedures more transparent. BTI (2014) has further reported that resource waste is very common at procurement level. Mismanagement of public funds is commonly reported in media, government wastefulness and global competitive index of Kuwait rank very low 100 (out of 144). Government has introduced the PPP law 7/2008 which elaborates the transparent framework. The country has devised the transparent mechanism, rules and regulations, checks and balances arrangement and accountability mechanism which may work as a deterrent to corrupt behaviour or rent seeking behaviour. The way the government allocates public tenders and projects to private companies repeatedly raised a number of questions on transparency. Continuous conflict between the government and the parliament on award of tenders is the key conflicting issue for a long. The parliament has constantly been criticising appropriate standards of transparency in the process. For example, in some cases, projects and public land is allocated to private companies without going through the legal procedures.

#### *4.2 Multi-year nature of ownership*

Another issue is the ownership of the public investment both at a program and a project level. A number of ministries are involved at different stages of investment programs. Normally, central planning agency controls the process. In many other countries, the funding ministry like Ministry of Finance usually used to have a control on the decision-making process. The ownership of public sector investment program or home of the project used to be controlled by General Secretariat of Planning with the help of beneficiary entity and the Mega Projects Agency. Mega Project Agency (Ministry of

Works) has an ownership of the process. Over all oversight of PPP and public private participation has an identifiable separate process of assessment and framework but general oversight of the decisions are at various levels. Although for long time public ownership used to be a dominant mode of ownership, but gradually the public sector has started the private partnership based on BOT mechanism under PBT authority and guidelines. Quite often, PPP becomes controversial and major source of mismanagement and corruption. Although there are guidelines for both PPP and public investment programs at national level but the guidelines lack unified system, which may control the process of PPP and public sector program. More importantly it may further be extended at the sector level. Absence of unified approach or mechanism increases the risk of commitments and liabilities.

#### *4.3 Multi-sector: technical capacities*

Managerial and technical resources usually yield greater impact. Capacities of various kinds such as capacity to collect and forecast the projects of public services such as public goods, education, health, basic services are the key capacities. Capacity to conduct qualitative and quantitative appraisal such as, costs, economic prices, capital, exchange rate, and sound in economic estimates are the other set of capabilities. The technical capacity of managerial level which may take decision-making on the programs and projects based on design, selection, budgeting and other related frameworks are very critical. Clearly defined intuitional frameworks under PIMS which may recognise the role of the institutions, technical capacity and the incentives is very important.

Building public sector capacity is an issue and is likely to be a challenge. To build a national capacity for strengthening the efficient system requires designing of guidelines, procedures especially building the technical aspects and the project appraisals. Learning from best practices will not only assess the existing weakness and strengthens but will also reinforce the effectiveness of the system. Public investment management processes and practices are partly shaped in by broader governance and public sector management culture of the respective country.

#### *4.4 Cross-cutting nature: champions of reform*

PIMS needs some high level of commitment from either of the ministry, supreme council or key line ministry who may advocate, design and suggest for further strengthening of appraisal or implementation of projects or overall leading the reform process. Without this commitment and involvement of broader stake holders may risk low profile affair.

#### *4.5 Localised and visible benefits: political participation*

Kuwait has an advantage of public participation at highest level. Lacks of checks and balances at all levels result in lack of demand for appraisal, benefits and accountability and easy decision-making process. The voice, choice, participation and accountability at all levels should be part of the national framework. The standard framework for checks and balances, both from top down approach (tendering, audit, cost benefit and evaluation) to bottom up approach (participation of civil society, exposure of corruption in media, parliamentary oversight, national consultation, benchmarking, performance and service delivery) is highly important in Kuwait context. External review, assessment, periodic



progress reports could make its national investment program highly visible and politically participative. Initial review of document suggests Kuwait needs little progress in this direction.

#### *4.6 Public and private sectors: regulatory capacity*

Kuwait has a PTB under which PPP guideline booklet under law 7/2008 which directs and regulates the projects under its permanent and administrative authority – Ministry of Finance. The guide book clearly outlines the process of engagement rules and regulations, participating agencies and overall responsibility of monitoring, procurement, operation, laws, procedures, instruments, manuals, and documents for overall responsibly.

It would be more ideal to expect that agency must have required capacity of oversight, consistent with PIMS framework, policies and procedures. Institutions sometimes exist but their oversight process sometimes is weaker. They need to have more technical and budgetary resources with minimum influence of politics to make meaningful impact. Sometimes, institutions become dysfunctional when it comes to use of regulatory mechanism on the field, extensive enforcement of instruments and follow the procurement rules. This requires having timely assessment and evaluation to make the regulatory agency more transparent, trustful and well-functioning.

## **5 Gaps analysis and preliminary diagnostic framework**

### *5.1 Investment guidance, project development and preliminary screening*

There is a visible national level framework in public investment, project development and for preliminary screening of projects. Kuwait Development Plan 2035 and mid-range development plan are recently designed and implemented. The documents clearly spelt out the vision of a development. The development of sectoral strategies or detailed procedure of public sector development programs will further strengthen the process with the beneficiary entities. The weak links of medium range development plan with sectoral strategies are to be integrated or linked with the budget mechanism. For example, the plan which includes a total of 1,100 projects among these is a number of mega projects (including silk city, harbour, 25KM causeway, railway, metro, health and education, production capacity social sector) with an estimated to be cost KD 37 billion (US \$125) of spending in both oil and non-oil sector. Private sector has to be involved through BOT schemes<sup>1</sup>. The institutional arrangement of project development, design and implementation lies with the Ministry of Planning through its beneficiary entities. Mega Project Agency was an arm of Ministry of Works and was responsible for development of proposals and projects. The beneficiary entities were linked with ministry of finance for budget purposes. The whole decision process used to starts from April to April based on year-on-year basis. Now, the approval process is routed through ministry to supreme council of planning and development leads to council of ministers and ultimately to a medium term plan.<sup>2</sup> The agency is established to take over the responsibility of the earlier committee DIZART. The body which was responsible to design and implement most of the country's infrastructure projects initially, it has to be find out to what extent the development of projects are linked with the sectoral strategies, long-term development

vision and development plans. The data suggests that the process of investment decision lies with the MPA and Ministry of Works which may work in coordination with other ministries like Supreme Council of Planning and Development through its beneficiary entity mechanism but clearly suggest presence of well-defined decision-making system and screening of projects at national level. The process is centralised with participation of Finance, Ministry of Works and MPA with SCPD, Council of Ministers and the National Assembly.

### *5.2 Formal project appraisal*

Project appraisal is a complex process. The project or public investment program which successfully passed in the first screening test must be subjected to the rigorous scrutiny in terms of its cost effectiveness. This is highly important as an *ex-ante* project evaluation, quality of analysis, and the capacity and availability of evaluation skills of the technical expertise. The project appraisal is being carried out at the appropriate level at Mega Project Agency and ministry of works level. Of course, it might be assumed that the ministries and the line departments are having qualified technical and skilled staff capable of assessing the *ex-ante* project evaluation; feasibility studies and checking independently review of cost benefit analysis. But, surely to what extent the process is transparent in terms of guidance, backed by technical staff, their participation in design, appraisal and more than that the participation of the stakeholders in the design or at every stage of the project etc. The quality of guidance on number of appraisals, staff and their line positions, some of the sample appraisals may provide qualitative analysis of this aspect. However, to what extent the process is formal towards the evaluation of public investment projects and their cost and benefit analysis is yet to be assessed. cursory observation suggests that the process is yet to be systematic to trace out the progress at various stages of project cycles. A very limited percentage of proposals are subject to a rigorous appraisal for cost benefit analysis.

### *5.3 Independent review of appraisal*

Independent review of the project appraisal is very important to verify the subjective and self-serving biases in the appraisals. The appraisals are normally subjected to external review and to verify or double check the viability and the quality of discrepancies in the appraisal between in house and external agency. It is always desirable to have a disciplined appraisal of the project prior to its budget. This helps in identifying the projects ranked by priority and budgetary considerations. The projects which are minor at department level and the major which requires additional scrutiny and rigorousness of review process. It is often been the case the projects are being hurried to meet the certain downstream demands, budget timetables and overlooking design and its effectiveness. The number of projects approved, appraisals taken, multiplicity of the design team and their respective roles and responsibilities could be indicators of number of projects designed, appraised. The initial review of the projects suggests the approach is needed to be a systematic. It is recommended to devise a systematic framework and independent analysis on the quantity and quality of appraisal system.

#### *5.4 Project selection and budgeting*

The process of appraising and selecting of public sector investment program is linked with the appropriate way to the budget cycle. The process has to be transparent at all levels. The structural criterion is being followed for budget preparation process with scope to integrate investment and related recurrent expenditure. Only the projects which are appropriately appraised shall be selected for funding and financed based on realism or efficiency criterion. The government must have a related department which may assess the objectivity of the appraisal project. The number of projects is being undertaken prior to link these projects to budget process. It is observed often the projects are approved based on pressing needs before any systematic appraisal or budgetary consideration. The procedures of approval, allocation and implementation are often over looked. There are a number of cases in which the projects are being approved without consideration of proper decision-making channels.

#### *5.5 Project implementation*

Normally, implementation guidelines are being published for smooth implementation of projects. The cost effective implementation requires detailed outlines for procurement, contracting rules with detailed guidelines for the timely submission of progress reports. The progress reports help in effective budgeting for mega and high profile projects. Although there are detailed rules for efficient and accountable competitive project tendering procedures, but observance of these rules specific to appraisal, estimates and implementation is yet to be assessed. There are still a number of issues related to tendering practices, time plans, scheduling of activities, technical capability, implementation, availability of funding, procurement law and labour related issues which are to be assessed in depth. A systematic, timely review has to be undertaken on critical issues such as project timeliness, capital budget comparison, allocation system, disputes, cost management system, check cost over-runs of major projects, completion rates are to be taken into consideration.

#### *5.6 Project adjustment*

Flexible funding is very important to make an adjustment in the project circumstances. There should have been mechanism which outlines the various adjustments at various states if there are changes in material circumstances or benefit cost realisations. In some cases the rationalising of the programs due to capacity or resource constraints are very commons. Often resources are diverted to urgent needs for any high profile projects. Normally, there are strong reasons for any cancellation or closure of any high profile project. Periodic progress reports is a very helpful insight along with the feasibility, impact assessments and cost benefit analysis on which the decision of closure or cancellation are being taken. This process should be transparent and accountable for unrealised benefit assessments. The role of open debate on the issue and public enquiry or discussion at various ministries such as Ministry of Finance, Planning and Development and Supreme Council of Planning is very critical in assessing and realising the project benefits. Although the progress reports of mega projects are frequently subject to a debate at all public levels including media. The detailed sample statistics on the cost

over-run, number of delayed projects, cancelled may help in review of identifying the gaps, weaknesses and other relevant problems.

### *5.7 Basic completion review and evaluation*

It is very normal once the facility is ready to be operated, it should be equipped with necessary adequate funding, maintenance and other contingency costs. A number of times the projects are commissioned through private contractors based on competitive tendering procedures. A timely review of procurement procedures, cost escalations or any other defectiveness, fraud is to be reviewed. BOT law clearly outlines how the system of BOT is functioning. The BOT law needs to be assessed and reviewed timely. The delivery services which are being carried out with the help of private operators require to be timely assessed its operational and maintenance aspects. The process of handover of management responsibilities for future operation and maintenance needs to be reviewed timely.

### *5.8 Best practices*

Silent features of PIMS in a number of countries and regions, such as EU, Cape Verde, China, Chile, Turkey, Korea, Belarus, Sierra Leone, Vietnam, Ireland and Korea indicate different features with their level of developments, sizes, compositions and governance structures. Their common features and distinctive elements indicate that these countries are facing a number of challenges in reforming their systems. Some countries have their own success stories; others face weaknesses but one thing is common – all have initiated the reform process by strengthening the PIM system. These countries public investment or linked with macroeconomic frameworks, timely assessing policy trade-offs, using resources for competing alternatives, building institutional frameworks, strengthening appraisal, implementation, capacity building, innovations, creating managerial culture and overall creating an enabling environment for public sector investment. For example, in EU countries the effective planning and management of public investment is a big challenge. Facing a number of policy trade-offs among different investment options and making resources available for competing needs. EU has emphasised on clearly prioritised strategies linked with multiyear budgets, strict project appraisal, and approval and monitoring processes (EU, 2008).

Cape Verde's PIMS is mapped against the minimum criteria such as Investment guidance, project development and preliminary screening, project selection, budgeting and project implementation level. Whereas, the formal project appraisal and project adjustment are at level of different lower grades. While, independent review, facility operation and basic completion review and evaluation process is further lower around (World Bank, 2013a).

In Sierra Leone, donors' funded public investment program is designed to reconstruct the decaying infrastructure of the country. In 2010, the Government Budgeting and Accountability Act has been amended to provide a legal basis for (PIM) and to a public investment program (PIP). A Public-Private Partnership Act is passed by the Parliament. The institutional roles and responsibilities for public investment management are fragmented while PPP arrangements are noted as sources of fiscal risk (World Bank, 2013b).

In Chile, the role of Ministry of Planning and Finance is to legislate and administer the national public investment system (NPIS). NPIS implements procedures which allow the coordinated participation of the relevant public institutions in the investment process (Hugo, 2008).

In Turkey a top-down and bottom-up approach is applied. Both approaches are used for decision of aggregate level of investments. Focus on basic economic and social infrastructure, along with Investment decisions are often taken on project basis consistent with sector policies and regional development concerns. A limited budget resources and always need for additional funding. Average completion time of the existing project pipeline (stock) is around six years around 20% of annual investment allocation is from foreign credit financing. Unused allocations are transferred between the projects. Project-based distribution of investment allocations covers whole public sector including SEEs, social security institutions and foreign-financed investments of local administrations (Ilgin, 2008).

In Vietnam, the reform and integration process are positively influencing the size, structure and efficiency of the economy as well as investment efficiency. The efficiency is very low right from the beginning and during the whole implementation process. Weak coordination is one of the problems with the involving agencies. Weak coordination is also seen between Vietnamese agencies and donors, especially in the context of incomplete legal framework. Lack and availability of highly qualified staff is another constraint. The weaknesses of the management and oversight system are partly attributed to the lack of a qualified, well-trained and competent staff. Lack of specific regulations to control is hardly available. It is necessary to develop specific mechanisms and concrete, quantifiable standards to control and monitor the investment process (Thai, 2008).

In China, the scope of public investment is reformed in the area of project selection mechanisms to make it more objective and transparent. Improvement in management of funds by integrating allocation with the system is successful. There is a visible lack of objective assessment of criteria for project selection. There is a shortage of project appraisal, procurement and management skills. Lack of coordination between different levels of government, across jurisdictions is another national issue (Wong, 2008).

Ferris (2008) in case of Ireland suggests a well-organised and adequately resourced evaluation system is introduced which underpinned through appropriate structures and a clear sense of purpose. Author suggests that evaluations carried out at right time by experienced and detached evaluators by focusing on appropriate questions and with the support of key stakeholders made a difference.

In Korea, a clearly defined budget process and decision-making system is being observed. Effective preliminary feasibility studies are being undertaken before any decision. Korea has tightened the expenditure monitoring system. It has a performance evaluation system along with PPP (Kim, 2013).

## **6 Conclusions, policy direction and future research**

Kuwait PIMS is reviewed within which some of the key processes, issues and challenges are debated within which the role of the government as a manager, financier and regulator is defined. The assessment serves as a guideline towards achieving the quality and efficiency of the system in which the government is looking to improve the process.

Preliminary 'must have' features and 'gap analyses' highlight the key processes and issues including the funding, managing and execution authorities. The cross country experiences and functioning of different organisational structures and systems emphasise the kind of culture, incentive mechanism, performance indicators including, transparency, ownership, regulatory and performance indicators are very key to be taken into consideration. The focus is devoted towards developing capacity and institutional framework and credible commitments of the government to investment in the capacity and improve the project implementation through suggested must have feature. The results suggest that detailed procedures and guidelines for public sector investment program at the country level are needed which can integrate the development and perspective plans with multiyear fiscal commitments. Kuwait PIMS is inadequately linked with the perspective vision and plan documents. Sectoral priorities are yet to be integrated with the development plans and with the institutional frameworks. Weaker strategic guidance in designing, preparing, appraising the system and lack of it resulted shortage of technical staff, poor evaluation of alternatives and cost benefit analysis. A number of gaps and grey areas are found in technical capacity, project appraisal, review, selection and budgeting, implementation along with absence of strong regulatory and reform mechanism.

A number of approaches are suggested to integrate PIMS framework, implement PIMS strategically and support and promote the PIMS reform process. The first approach is integrating PIMS perspective with national development vision, program and projects within which a number of actions are suggestion for capacity building, improving appraisal, decision-making process, unified framework of public investment, sectoral level strategy and regulatory mechanism). Second, PIMS implementation can further be strengthened by improvement in skills, ownership decision- Capital Standards making, roles and responsibilities at national level. Designing of national level guidelines at all levels will further strengthen the monitoring and implementation process. In addition to this creating an enabling environment of support and promotion through periodic national review of system shall strengthen the system.

The technical and institutional constraints such as review of existing quality standards, procedures, regulation and related laws which are affecting the PIMS along with measuring public investment absorption capacity, and removal of barriers could be potential future research areas where the future research studies may be conducted.

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## Notes

- 1 Earlier, the control of infrastructure development projects is used to be at the discretion of various ministries at different levels such as divided zone agreements and Kuwaiti Islands and Mega Project Development Team DIZART (now it is defunct body because of its inability to overcome the timely implementation of projects)
- 2 In April 2005, the divided zone agreements and Kuwaiti Islands and Mega Project Development Team (Dizart) – the government agency has been set up to oversee the multi-billion developments of Failaka and Bubiyan islands which is now dissolved. One of the reasons for this dissolution is the delay on the progress of estimated 33,000 million BOT development of tourist facilities on Failaka Islands.