

# Single Project Pipeline in Public Investment Management

## A Guideline (work in progress)

World Bank regionalevent on Public Investment Management

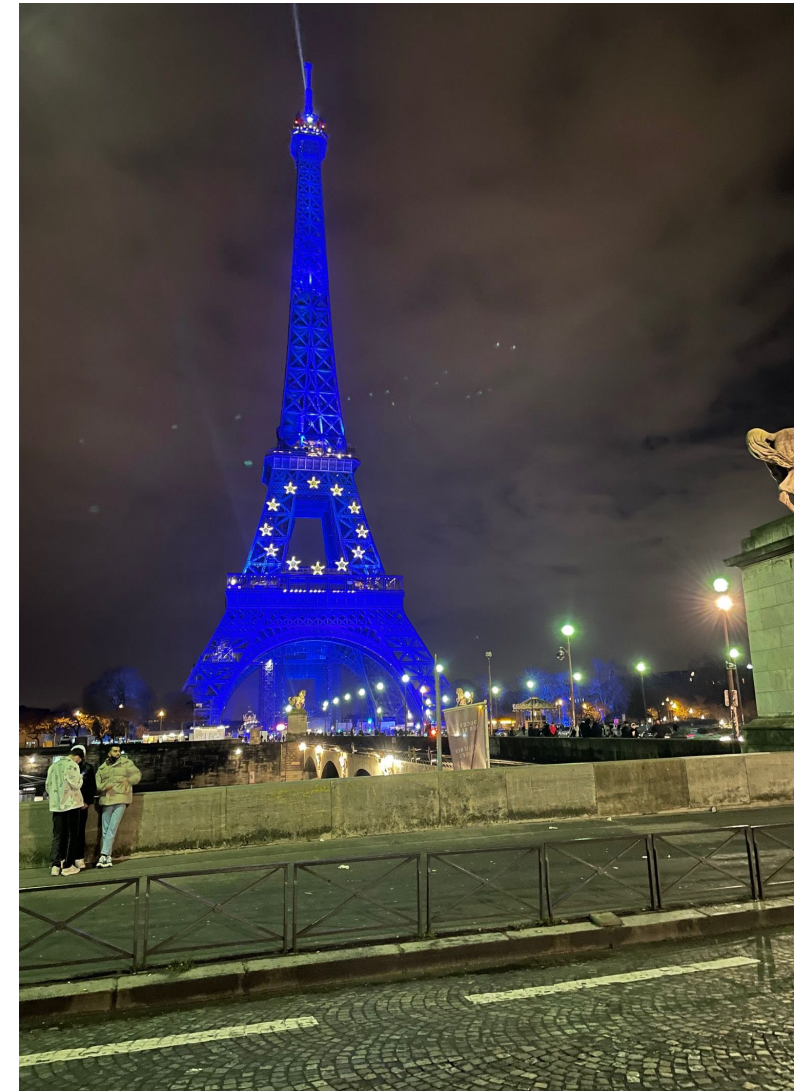
Vienna

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# What is SIGMA (Support for Improvement in Governance and Management)?

- SIGMA is a joint **programme** of the OECD and EU, principally financed by the EU as a **tool of EU enlargement and neighbourhood policy**.
- Organisationally part of the Public Governance Directorate, within the OECD based in Paris.
- Mandated to support the **EU accession countries** and countries in the **EU Neighbourhood** in Public Administration reforms



# Clusters of negotiating chapters

Following the introduction of the revised methodology for the accession negotiations in February 2020, negotiating chapters are now divided in six thematic clusters:

- 1 Fundamentals
- 2 Internal market
- 3 Competitiveness & inclusive growth
- 4 Green agenda & sustainable connectivity
- 5 Resources, agriculture & cohesion
- 6 External relations



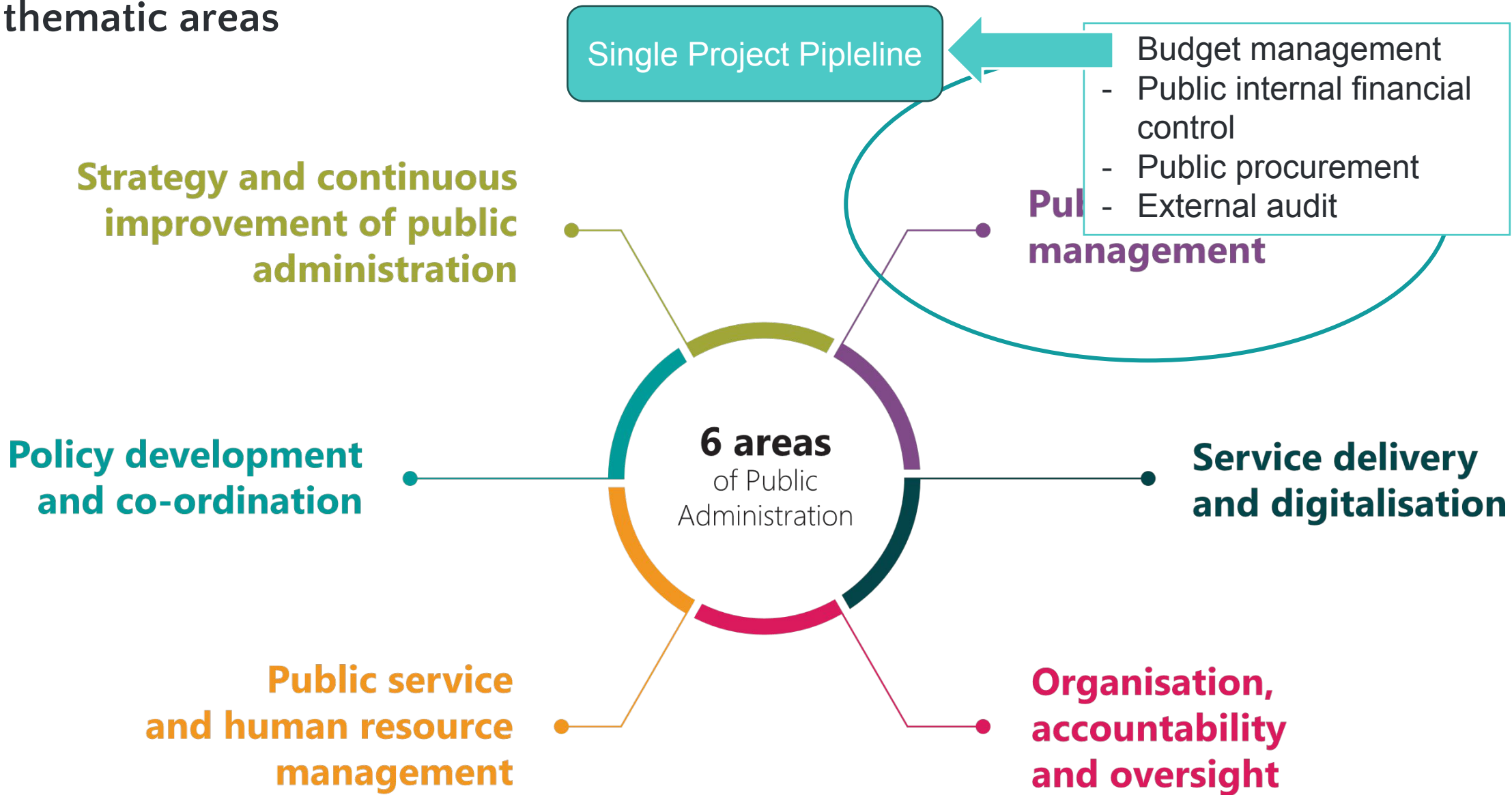
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# Six thematic areas





# What is a Single Project Pipeline: in search for a definition

metaphors matter as they shape perceptions on complex issues

Single project pipeline?



Multiple sectoral pipelines?



Or a pool?





# What should the SPP achieve?

## Causes of project failure

### Optimism bias

- “Optimism bias’ arises in individuals affected by the ‘planning fallacy’, causing them to underestimate time, costs, and risks when completing tasks, even when past experiences suggest otherwise

### Strategic misrepresentation

- Strategic misrepresentation’ occurs when politicians, planners or other ‘project champions’ ‘deliberately and strategically’ overestimate benefits and understate costs to ensure their projects, rather than their competitor’s, are funded.

### Rigidity in planning

- Adjusting towards more realistic cost and benefit projections can be further constrained when the initial plan acts as an anchor, limiting subsequent modifications – regardless of whether the original estimates were accurate or appropriate.

### Inside view

- Bias is often reinforced by an ‘inside view’, where individuals rely on their subjective understanding of project details, personal experience, and individual knowledge, rather than drawing on objective lessons from past projects of a similar nature.



## Definition

### Good practice elements derived from PIMA:

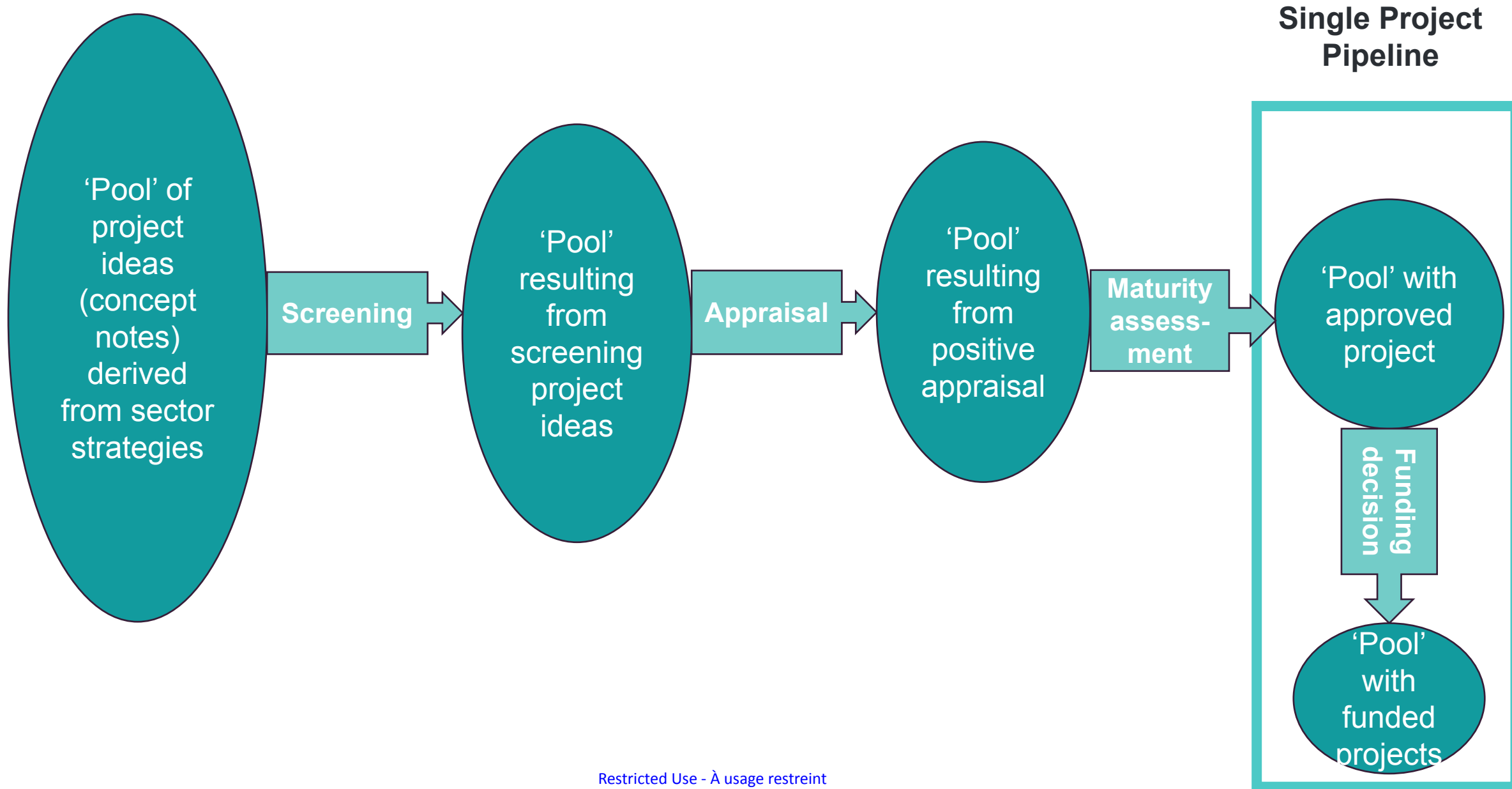
- Appraisal: All projects in the pipeline / pool have been appraised and are eligible for selection under a budget.
- Exclusivity: projects selected for funding need to come exclusively from this 'pipeline' or 'pool' of appraised projects.
- Comprehensive: A comprehensive pipeline or pool includes projects across all types of sectors and all financing sources including externally financed projects and PPPs.
- Time period: the pipeline or pool is to be used to select projects over the medium-term, not simply the annual budget.

*“The SPP is the process by which projects to be financed through the budget and programmed through a MTEF are exclusively selected from a ‘pool’ of projects incorporating only those that have been subject to positive appraisal. The SPP encompasses all sectors and all funding modalities (including external financing).”*



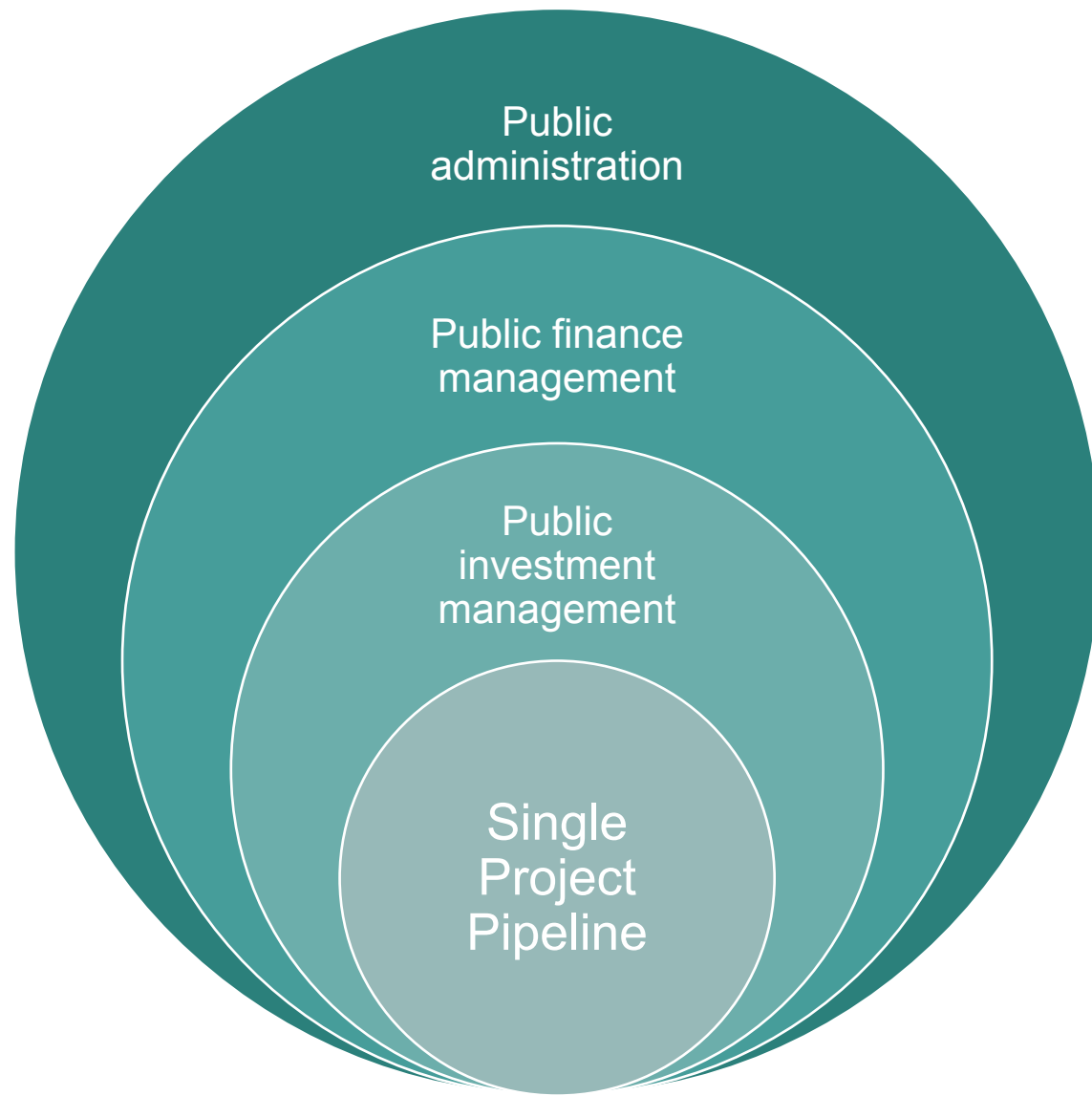


# When does a project enter the Single Project Pipeline?
















# Preconditions for good functioning of the SPP:





# 11 Principles or Good Practice in SPP implementation

-  Principle 1: projects originate from strategies and plans
-  Principle 2: project ideas are screened
-  Principle 3: project design and preparation is robust and not rushed
-  Principle 4: optimism bias and strategic misrepresentation are explicitly addressed in project design and approval
-  Principle 5: project appraisal is thorough, quality assured, and managed by decision-makers
-  Principle 6: projects are 'mature' before entering the Single Project Pipeline
-  Principle 7: project funding decisions are made as part of the medium-term budget process
-  Principle 8: international standard procurement rules are in place and respected
-  Principle 9: project implementation problems are addressed through timely and effective senior management action
-  Principle 10: projects can be cancelled, deferred, or redesigned at any point in the investment cycle
-  Principle 11: project evaluation recommendations are systematically recorded and used to improve future project design and SPP decisions



# Principle 1: projects originate from strategies and plans

**This means that project screening decisions must be guided by priorities set out in national and sector strategies and plans.**

DOs	DON'Ts
<ul style="list-style-type: none"><li>✓ Support improvements in national and sector strategies and plans.</li><li>✓ Verify that project ideas are aligned with established policies and strategic priorities.</li></ul>	<ul style="list-style-type: none"><li>✗ Do not disregard official policies, strategies, and plans.</li><li>✗ Do not promote or approve projects that lack alignment with national or sector strategic objectives.</li></ul>



## Principle 2: project ideas are screened

**This means that resources should not be allocated to project design without first conducting an initial screening of the project idea.**

DOs	DON'Ts
<ul style="list-style-type: none"><li>✓ Screen all project ideas against clear and relevant eligibility and prioritization criteria.</li><li>✓ Conduct initial screening at the sectoral level</li><li>✓ Reject or defer any project that does not meet the established screening criteria.</li></ul>	<ul style="list-style-type: none"><li>✗ Do not bypass Stage 1 screening, even for projects that address urgent needs, critical gaps, or political priorities.</li></ul>



## Principle 3: project design and preparation are robust and not rushed

**This means that project preparation should follow established guidelines and instructions, ensuring all relevant aspects are carefully addressed.**

DOs	DON'Ts
<ul style="list-style-type: none"><li>✓ Develop and apply relevant project preparation guidelines, and ensure government staff are adequately trained to use them.</li><li>✓ Establish institutional oversight to ensure that preparation guidelines remain up to date and are consistently followed.</li><li>✓ Clarify the specific market situation and conditions (competition, technical options), make sure the project is based on the best technical knowhow.</li><li>✓ Base cost estimates on reliable expenditure baselines, explicitly including projected recurrent costs such as operations and maintenance.</li></ul>	<ul style="list-style-type: none"><li>✗ Do not rush or shortcut project preparation because a project is perceived as 'critical', 'urgent', or 'politically important'.</li><li>✗ Do not omit future running costs from the total project cost estimates.</li></ul>





## Principle 4: strategic misrepresentation and optimism bias are explicitly addressed throughout the project cycle from identification to approval

**This means that project preparation procedures formally incorporate adjustments to mitigate the systematic underestimation of costs, overstatement of benefits, and overly optimistic timelines, whether due to unconscious bias or deliberate misrepresentation.**

DOs	DON'Ts
<ul style="list-style-type: none"><li>✓ Develop and maintain a national database of actual versus planned project costs, benefits, implementation schedules, and delivery challenges, drawing on both domestic and international experience.</li><li>✓ Use this database to establish standard adjustment factors by sector or project type, correcting for common deviations in cost, time, and output delivery.</li><li>✓ Require that these adjustment factors are applied to all relevant project proposals as part of the design and appraisal process.</li><li>✓ Embed a verification step at the project approval stage to confirm that optimism bias adjustments have been appropriately integrated into each submission.</li></ul>	<ul style="list-style-type: none"><li>✗ Do not rely solely on the views or assumptions of project insiders when projecting costs, benefits, and implementation timelines.</li><li>✗ Do not assume that every project will go according to plan, even if it has strong political or institutional backing.</li><li>✗ Do not approve projects that fail to incorporate necessary adjustments for optimism bias and strategic misrepresentation.</li></ul>





## Principle 5: projects are 'mature' before entering the SPP

**This means that project design must be sufficiently complete and full appraisal procedures must be satisfied before a project can be included in the Single Project Pipeline (SPP).**

DOs	DON'Ts
<ul style="list-style-type: none"><li>✓ Ensure that all key aspects of project design are finalised and that the project has undergone full technical, financial, and economic appraisal before advancing to the SPP.</li><li>✓ Confirm that the project meets all relevant approval criteria, including alignment with national priorities, affordability, and value for money.</li><li>✓ Feasibility and pre-feasibility studies for major and mega projects should be considered as stand-alone projects in and of themselves and would enter the SPP (sector and/or national) distinct from and in advance of the eventual investment project</li></ul>	<ul style="list-style-type: none"><li>✗ Do not allow projects to enter the SPP on the basis of political pressure, urgency, or perceived strategic importance if they are not fully appraised and designed.</li><li>✗ Do not by-pass critical preparation and appraisal stages, even under time constraints or resource pressure.</li></ul>



## Principle 6: project appraisal is thorough, quality assured, and managed by decision-makers

**This means assuring ‘quality-at-entry’ through rigorous technical appraisal and transparent political oversight.**

Dos	DON'Ts
<ul style="list-style-type: none"><li>✓ Institutionalise robust, transparent, and well-documented project screening and appraisal arrangements.</li><li>✓ Establish a high-level political committee to make final decisions on major public investments.</li><li>✓ Set up a technically competent advisory committee to support political decision-makers with objective assessments.</li><li>✓ Ensure that project appraisal explicitly considers medium-term expenditure ceilings and long-term affordability (particularly for large-scale or mega-projects).</li></ul>	<ul style="list-style-type: none"><li>✗ Do not exclude senior political leadership from the approval process for major investments.</li><li>✗ Do not ignore medium or long-term expenditure constraints at the point of appraisal and approval.</li><li>✗ Do not delegate screening of major or complex projects to inexperienced or junior-level staff.</li><li>✗ Do not treat project screening and appraisal as a perfunctory or compliance-driven process.</li></ul>





## Principle 7: project funding decisions are made as part of the medium-term budget process

**This means integrating project funding decisions into the annual and medium-term budget process, ensuring that ongoing projects are fully funded before committing to new initiatives, and that sufficient funding is available to sustain both.**

### DOs

- ✓ Incorporate all capital investment funding decisions, both new and ongoing, into the annual and medium-term budgeting cycle.
- ✓ Calculate realistic medium-term expenditure baselines, including recurrent costs and project financing needs, before allocating fiscal space to new projects.
- ✓ Prioritise full financing of ongoing projects to completion before approving new projects for entry into the budget and SPP.

### DON'Ts

- ✗ Do not disregard medium-term fiscal constraints or overestimate available resources when committing to new projects.
- ✗ Do not allow political or strategic priorities to override the requirement for full funding of ongoing projects.





## Principle 8: international standard procurement rules are in place and respected

**This means internationally accepted procurement rules and procedures are established and fully applied to all project procurement to ensure transparency, efficiency, and value for money.**

DOs	DON'Ts
<ul style="list-style-type: none"><li>✓ Establish and maintain procurement rules and practices aligned with international standards (e.g., competitive bidding, transparency, accountability).</li><li>✓ Enforce compliance with these procurement rules for all public investment projects, regardless of project size or strategic importance.</li><li>✓ Ensure that project implementing entities have the technical capacity to apply procurement rules effectively.</li></ul>	<ul style="list-style-type: none"><li>✗ Do not bypass procurement rules to fast-track implementation due to public demand, political pressure, or urgency.</li><li>✗ Do not treat large or 'high-profile' projects as exceptions to procurement standards.</li></ul>



## Principle 9: project implementation problems are addressed through timely and effective senior management action

**This means strong monitoring and decision-making arrangements are in place to detect and respond to emerging implementation issues, including escalation to senior or political levels when required.**

DOs	DON'Ts
<ul style="list-style-type: none"><li>✓ Establish clear institutional arrangements and procedures for:<ul style="list-style-type: none"><li>• Systematic project monitoring to detect delays, cost overruns, and performance shortfalls.</li><li>• Timely senior management intervention to reappraise, restructure, or terminate underperforming projects.</li></ul></li><li>✓ Conduct formal reappraisal of projects when:<ul style="list-style-type: none"><li>• Implementation stalls or substantially deviates from initial timelines and budgets.</li><li>• Unexpected and material risks or changes in external conditions arise (e.g., inflation shocks, currency depreciation, policy shifts).</li></ul></li></ul>	<ul style="list-style-type: none"><li>✗ Do not assume that problems during implementation will resolve themselves without structured intervention.</li><li>✗ Do not persist with problematic projects due to political pressure or initial commitments ("sunk cost fallacy").</li><li>✗ Do not overestimate the value of prior approval (i.e., assume that all SPP-approved projects remain inherently beneficial).</li><li>✗ Do not ignore the need for reappraisal when faced with substantial new information about costs, benefits, or risks.</li></ul>



## Principle 10: projects can be cancelled, deferred, or redesigned at any point in the investment cycle

**This means that project continuation is not guaranteed. Projects may be deferred, redesigned, or cancelled, even during implementation, if reassessment reveals that expected returns are insufficient, including on a sunk-cost basis.**

DOs	DON'Ts
<ul style="list-style-type: none"><li>✓ Be prepared to defer, reshape, or cancel any project, regardless of its political visibility or strategic importance, if updated analysis shows that net returns fall below a defined threshold.</li><li>✓ Apply this principle equally to projects at all stages, including those that have begun implementation and where resources have already been spent (i.e., sunk costs).</li><li>✓ Ensure that reappraisal of projects is systematically embedded at key stages of the PIM cycle and that decision-makers are empowered and obligated to act on the results.</li></ul>	<ul style="list-style-type: none"><li>✗ Do not allow strategic or political considerations to override clear evidence of poor or negative returns revealed through reappraisal.</li><li>✗ Do not treat project initiation or implementation as a final commitment to completion regardless of changing information or context.</li></ul>





## Principle 11: project evaluation recommendations are systematically recorded and used to improve future project design and SPP decisions

**This means that end-of-project evaluations are undertaken, and the findings are documented, disseminated, and actively used to improve future investment decisions across the PIM cycle.**

### DOs

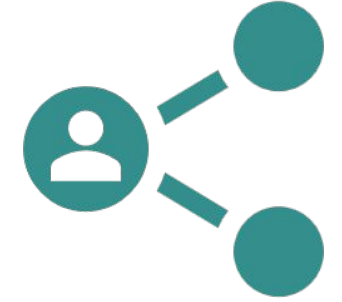
- ✓ Conduct comprehensive evaluations covering all phases of the project, from design and appraisal through to implementation and delivery of intended outcomes.
- ✓ Systematically document lessons learned, including both technical and institutional insights.
- ✓ Establish mechanisms to ensure that evaluation findings inform:
  - The design of new project proposals.
  - The criteria and decisions for future entry into the Single Project Pipeline (SPP).
  - The refinement of project screening and appraisal guidelines.

### DON'Ts

- ✗ Do not dismiss or ignore past project performance evaluations during the preparation or approval of new projects.
- ✗ Do not sanitise or omit negative lessons in evaluation reports due to reputational concerns or political sensitivities.
- ✗ Do not assume that each project is completely unique and exempt from the lessons of others.



## Find out more about SIGMA



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