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ANNEX 1

ANNEX

to the

**Proposal for a Regulation of the European Parliament and of the Council
on the establishment of a European Investment Stabilisation Function**

{SEC(2018) 277 final} - {SWD(2018) 297 final} - {SWD(2018) 298 final}

ANNEX I

METHODOLOGY FOR ASSESSING THE QUALITY OF MEMBER STATES PUBLIC INVESTMENT MANAGEMENT SYSTEMS AND PRACTICES

1. Scope

With a view to increase the impact of public investment and of any potential EISF support, the assessment of the quality of public investment management systems and practices of Member States shall contribute to their high-quality. Such assessment shall help increasing efficient planning, allocation, and implementation of public investment at national level.

The indicators are based on the principles established by this Regulation with regard to the aim and scope of EISF, eligibility criteria, and activation criteria.

2. Indicators

Fifteen indicators as regards public investment decision-making at three different stages of the public investment cycle shall be examined by the Commission in the context of the qualitative assessment referred to in Article 1.

The three key stages of the public investment cycle are:

1. planning of public investment across the public sector ("planning phase");
2. allocating public investment to sectors and projects ("allocation phase");
3. implementing projects on time and on budget ("implementation phase").

The following indicators shall be used to assess the *planning phase*:

- (a) fiscal rules and principles are such that they ensure that overall levels of public investment are adequate, predictable and sustainable;
- (b) sectoral plans are such that they ensure public investment decisions are based on clear and realistic priorities, cost estimates and objectives for each sector;
- (c) central and local coordination arrangements are such that public investment plans are integrated across levels of government, provide certainty about funding from the central government and ensure sustainable levels of subnational borrowing;
- (d) management of public-private partnerships (PPP) are such that they ensure an effective evaluation, selection and monitoring of PPP projects and liabilities;
- (e) the regulations governing infrastructure companies is such that it ensures open and competitive markets for the provision of infrastructure services, an objective pricing of infrastructure outputs and the effective oversight of infrastructure company investment plans.

The following indicators shall be used to assess the *allocation phase*:

- (a) multi-year budgeting that provides transparency and predictability regarding levels of investment by ministries, programs and projects over the medium-term;
- (b) budget comprehensiveness which shall be reflected by the fact that all public investment regardless of the funding channel is authorised by the legislature and disclosed in the budget documentation;
- (c) budget unity which shall be reflected by the fact that decisions about individual projects take account of both their immediate capital and future operating and maintenance costs;

- (d) project appraisal which shall be reflected by the fact that project proposals are subject to published appraisal using standard methodology and takes potential risk into account;
- (e) project selection which shall be reflected by the fact that projects are systematically selected and approved on the basis of transparent criteria and included in the pipeline of approved public investment projects.

The following indicators shall be used to assess the *implementation phase*:

- (a) protection of public investment shall be reflected by project appropriations which are sufficient to cover total project costs and cannot be diverted at the discretion of the executive;
- (b) availability of funding which allows for planning and commitment of investment projects based on reliable forecasts and timely cash flows from the treasury;
- (c) transparency of budget execution: major public investment projects are tendered in a competitive and transparent process, monitored during project implementation and independently audited;
- (d) project management: an accountable project manager is identified and is working in accordance with improved implementation plans and provides standardized procedures and guidelines for project adjustment
- (e) monitoring of public assets: assets are properly recognised, measured, and reported and their depreciation is recognized in general purpose financial statements.

3. Scoreboard and reporting

A scoreboard and summary chart for each Member State shall be made for the purpose of identifying the strengths and weaknesses of the public investment management systems and practices in a transparent manner.

The Commission shall present the findings of its assessment in a report addressed to the Member States.

4. Recommendations

The Commission may address practical recommendations to Member States on the basis of its assessment to enable the Member State concerned to enhance the efficiency of its public investment management systems and practices.