FISCAL AFFAIRS

# Public Project Governance Processes – a Global Perspective

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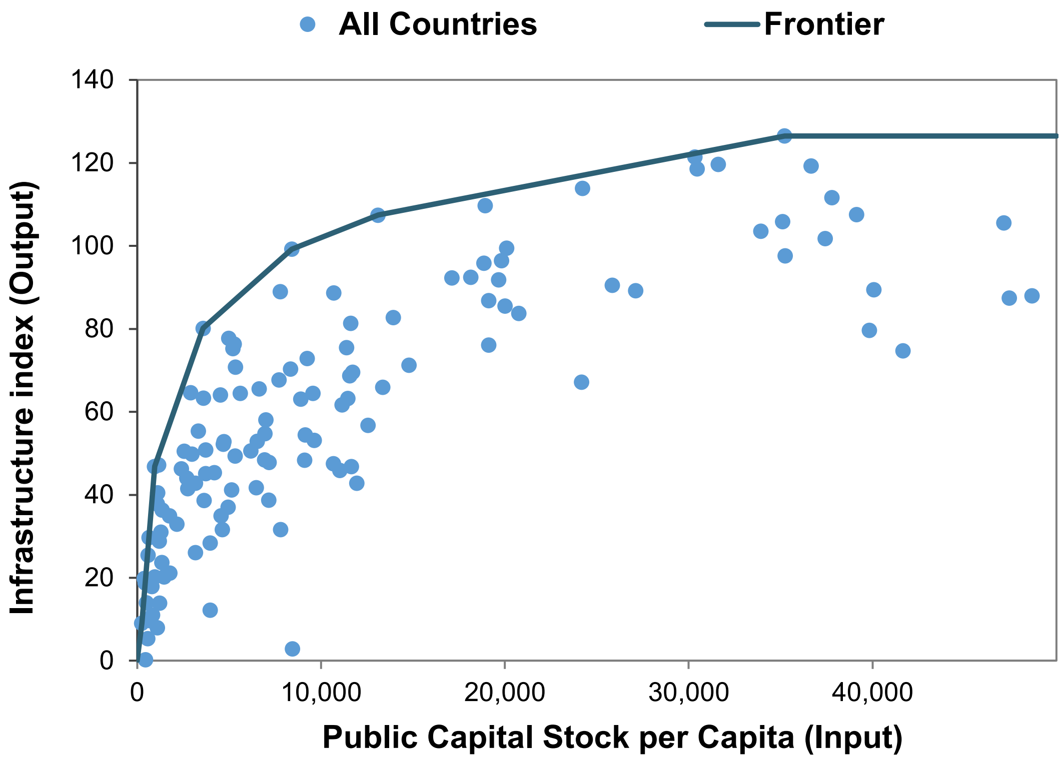
# Overview

- Background: the IMF's work in public investment management
  - Measuring public Investment efficiency
  - The Public Investment Management Assessment (PIMA)
- The quality of public investment management institutions globally – on paper and in practice
- Reflections and emerging trends

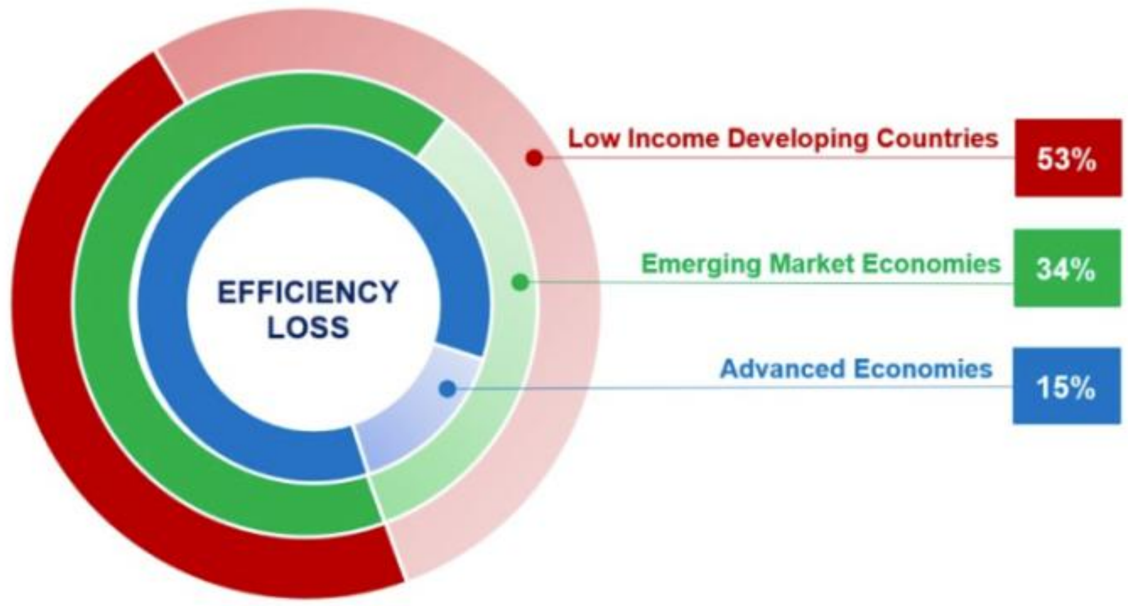
# Background – the Public Investment Management Assessment (PIMA)

# The efficiency of public investment varies across countries

## The Public Investment Efficiency Frontier




## Efficiency Loss in Public Investment




Source: G. Schwartz, M. Fouad, T. Hansen, and G. Verdier, "*Well spent, How Strong Infrastructure Governance Can End Waste in Public Investment.*"

# In response the IMF developed the Public Investment Management Assessment (PIMA)

**PLANNING**

1. Alignment with fiscal principles or rules
2. National and Sectoral Plans
3. Coordination between Entities
4. Project Appraisal
5. Alternative Infrastructure Provision

**ALLOCATION**

6. Multi-year budgeting
7. Budget Comprehensiveness and Unity
8. Budgeting for Investment
9. Maintenance Funding
10. Project Selection

**IMPLEMENTATION**

11. Procurement
12. Availability of Funding
13. Portfolio Management and Oversight
14. Management of Project Implementation
15. Monitoring of Public Assets

**CROSS CUTTING ENABLING FACTORS**

Legal and institutional frameworks

Capacity

IT systems

# The PIMA diagnostic is underpinned by a set framework

| | |
|---|---|
| Planning | 1. Fiscal targets and rules: Does the government have fiscal institutions to support fiscal sustainability and to facilitate medium-term planning for public investment? |
| | 2. National and Sectoral Planning: Are investment allocation decisions based on sectoral and inter-sectoral strategies? |
| | 3. Coordination between Entities: Is there effective coordination of the investment plans of central and other government entities? |
| | 4. Project Appraisal: Are project proposals subject to systematic project appraisal? |
| | 5. Alternative Infrastructure Financing: Is there a favorable climate for the private sector, PPPs, and PCs to finance in infrastructure? |
| Allocation | 6. Multiyear Budgeting: Does the government prepare medium-term projections of capital spending on a full cost basis? |
| | 7. Budget Comprehensiveness and Unity: To what extent is capital spending, and related recurrent spending, undertaken through the budget process? |
| | 8. Budgeting for Investment: Are investment projects protected during budget implementation? |
| | 9. Maintenance : Are routine maintenance and major improvements receiving adequate funding? |
| | 10. Project Selection: Are there institutions and procedures in place to guide project selection? |
| Implementation | 11. Procurement |
| | 12. Availability of Funding: Is financing for capital spending made available in a timely manner? |
| | 13. Portfolio Management and Oversight: Is adequate oversight exercised over implementation of the entire public investment portfolio |
| | 14. Management of Project Implementation: Are capital projects well managed and controlled during the execution stage? |
| | 15. Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements? |

| **2. National and Sectoral Planning: Are investment allocation decisions based on sectoral and inter-sectoral strategies?** | |
|---|---|
| **2.a.** | Does the government prepare national and sectoral strategies for public investment? |
| **2.b** | Are the government's national and sectoral strategies or plans for public investment costed? |
| **2.c.** | Do sector strategies include measurable targets for the outputs and outcomes of investment projects? |

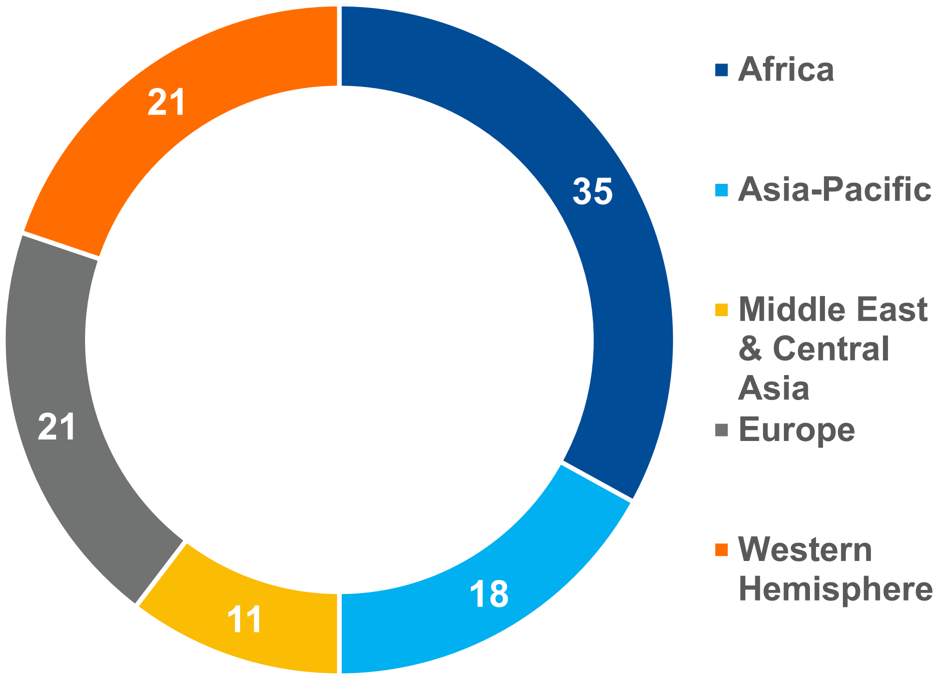
15 institutions all with 3 dimensions
Each dimensions rated:

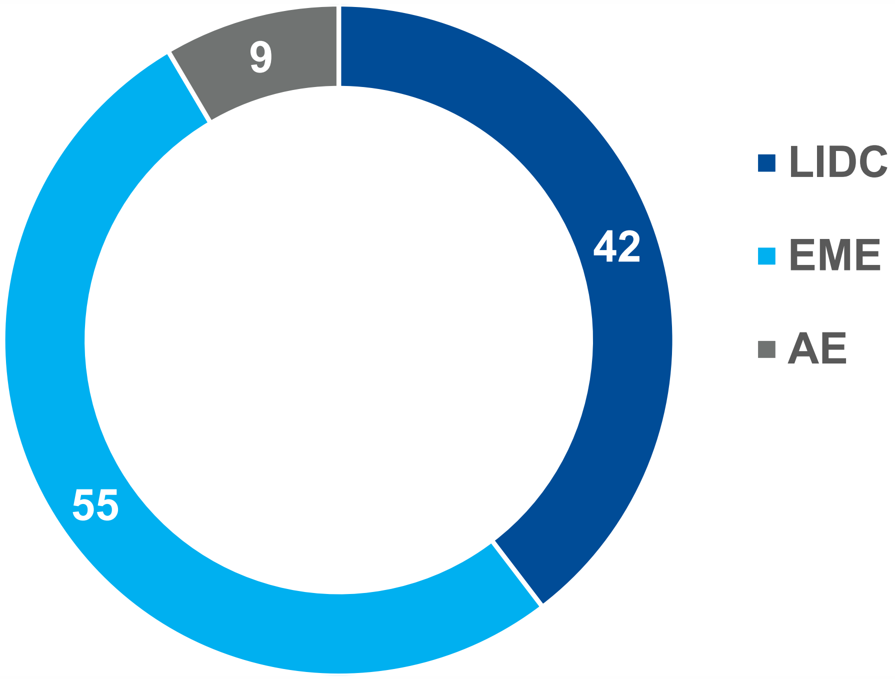
.Not Met. .Partly Met. .Fully Met.

… and each dimension is rated in two ways:

- Design (what happens "on paper")
- Effectiveness (what happens in practice)

# To date, the PIMA has been applied in 106 countries across regions and income groups

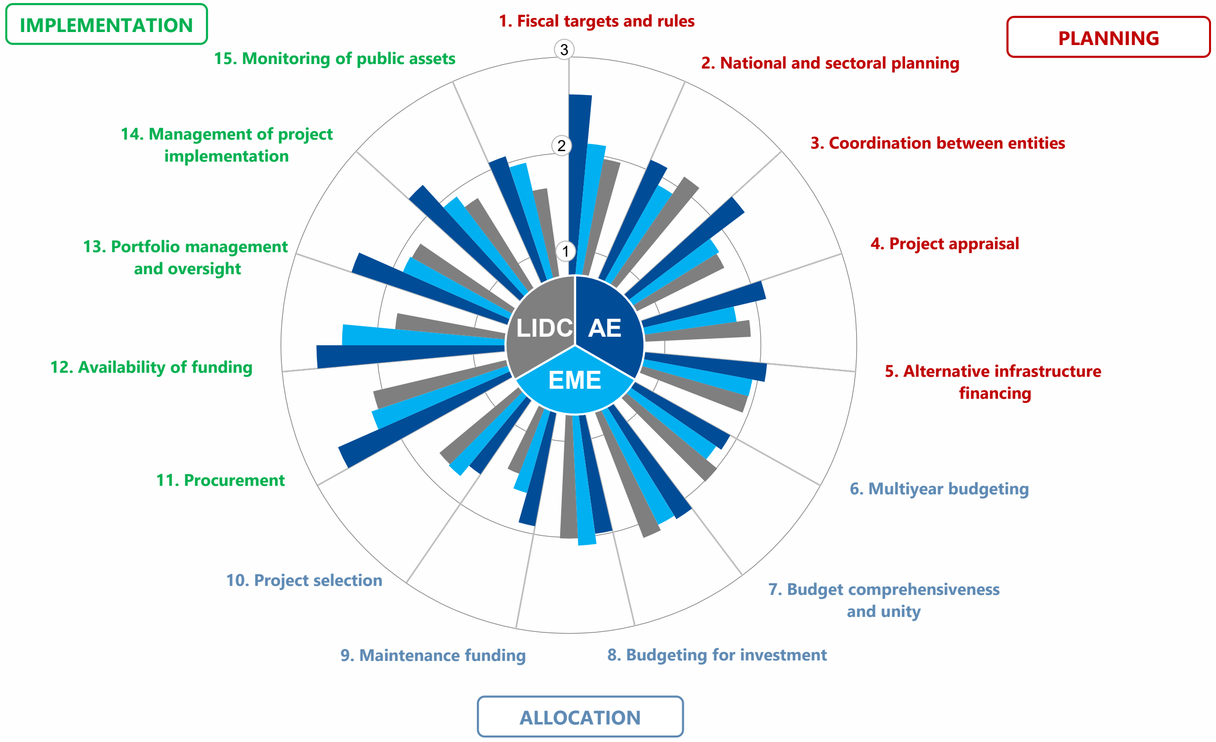


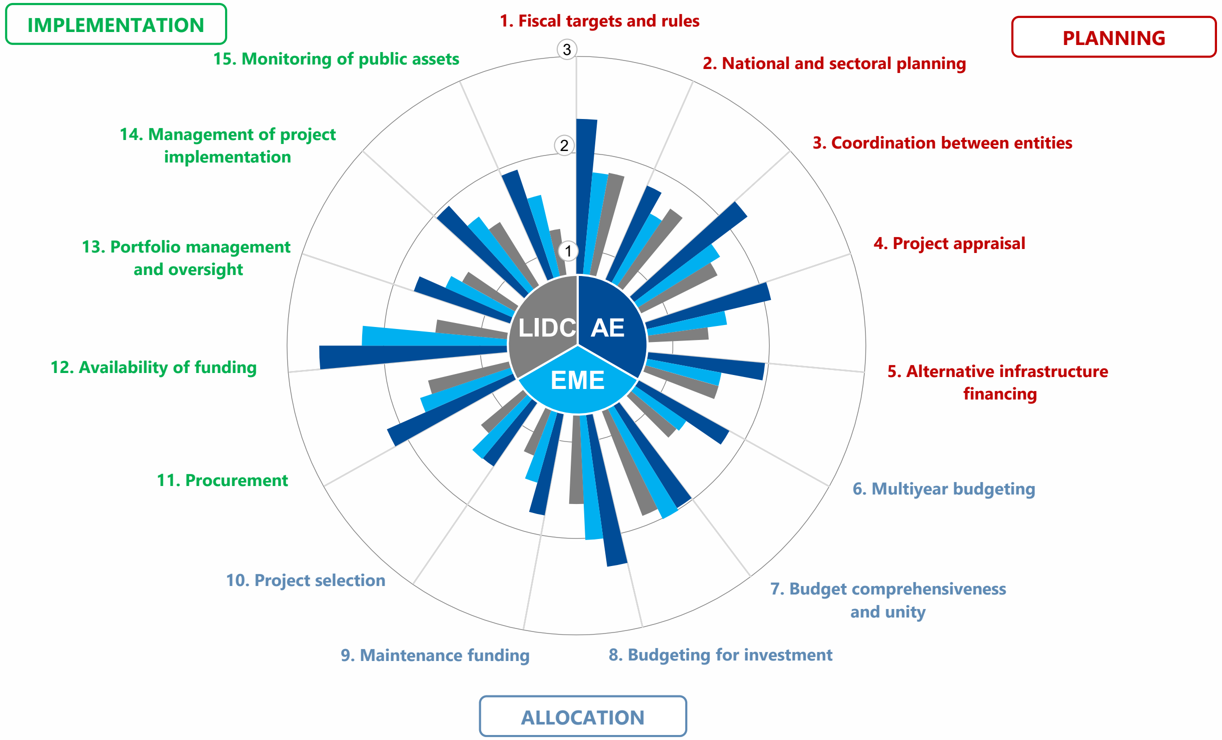

AE – Advanced Economy; EME – Emerging Market Economy; LIDC – Low Income Developing Country

# Performance varies by income level, but design of institutions out-performs application in practice

## Institutional Design

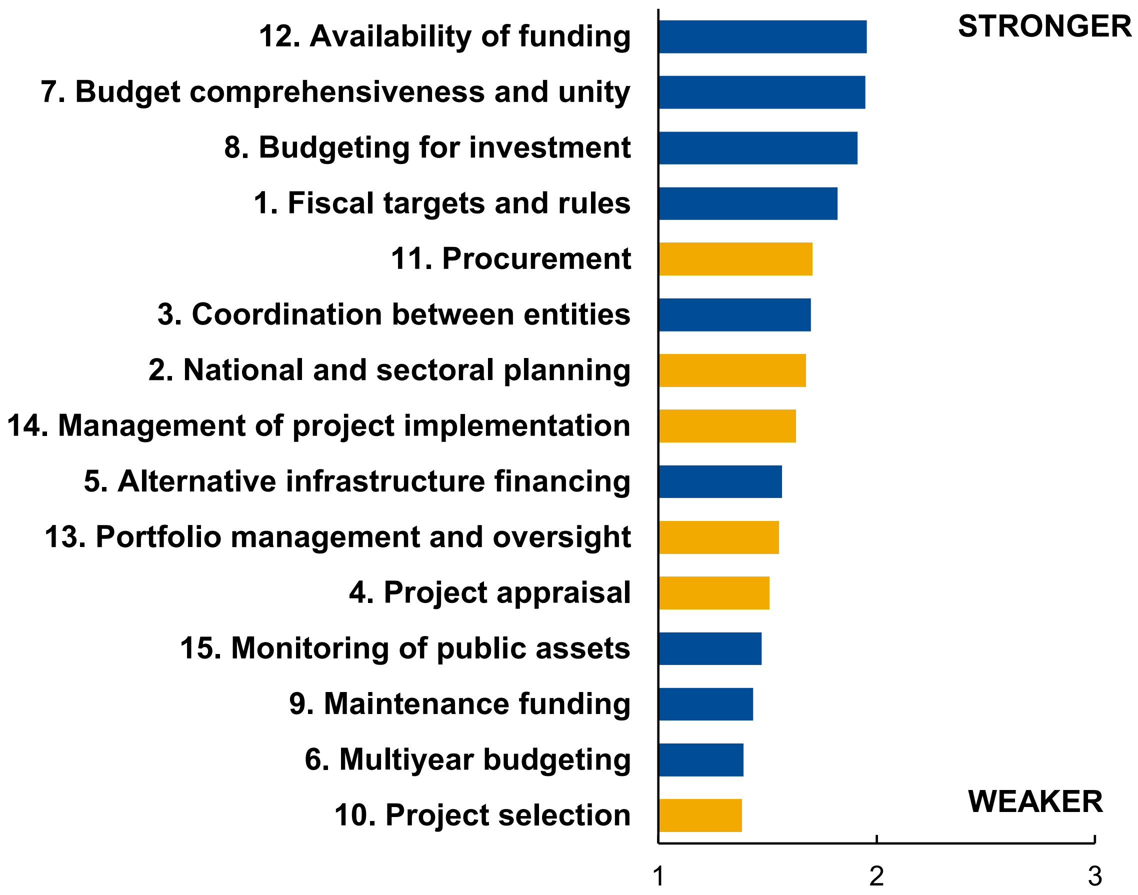



## Institutional Effectiveness




AE – Advanced Economy; EME – Emerging Market Economy; LIDC – Low Income Developing Country

# Performance across Public Investment Institutions varies



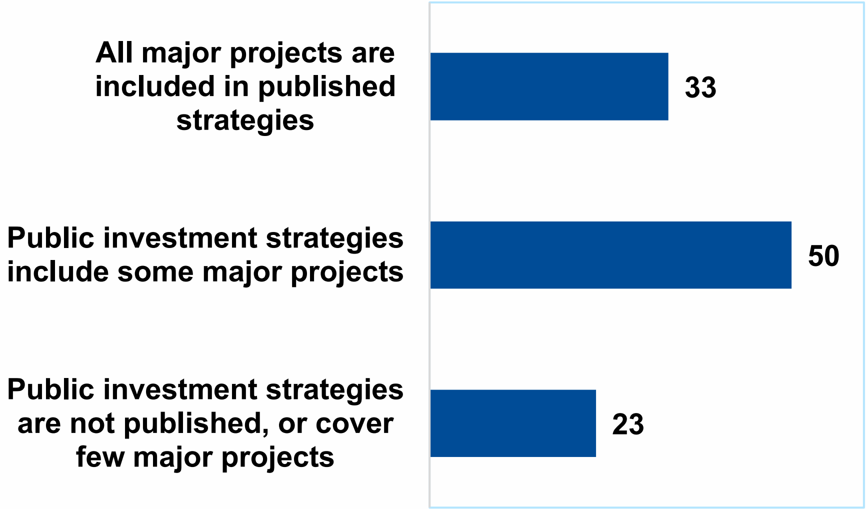

The rest of the presentation focuses on patterns in selected project-specific dimensions

# Public Project Governance – on Paper and in Practice

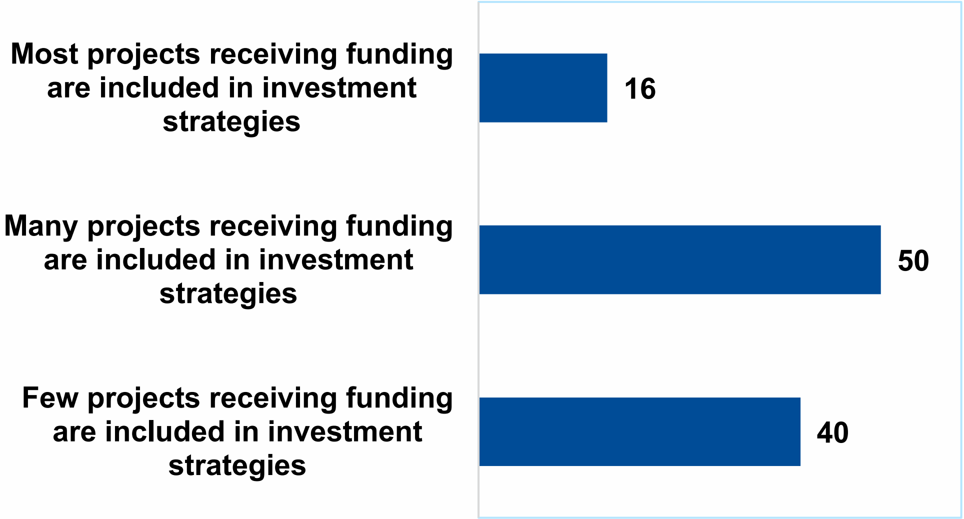
# Strategic Planning of Public Investment

## Are major projects rooted in strategic plans, at national or sectoral level?

### **Design** – Number of Countries



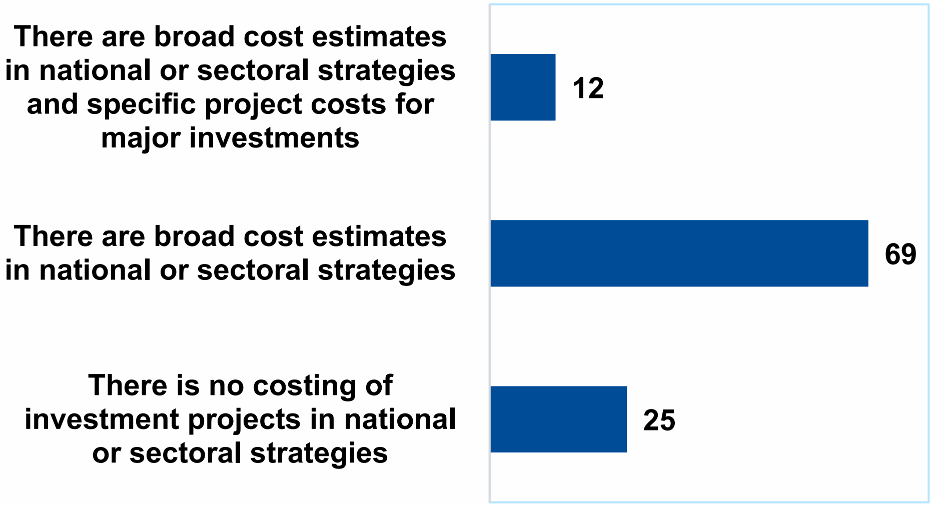

### **Effectiveness** – Number of Countries



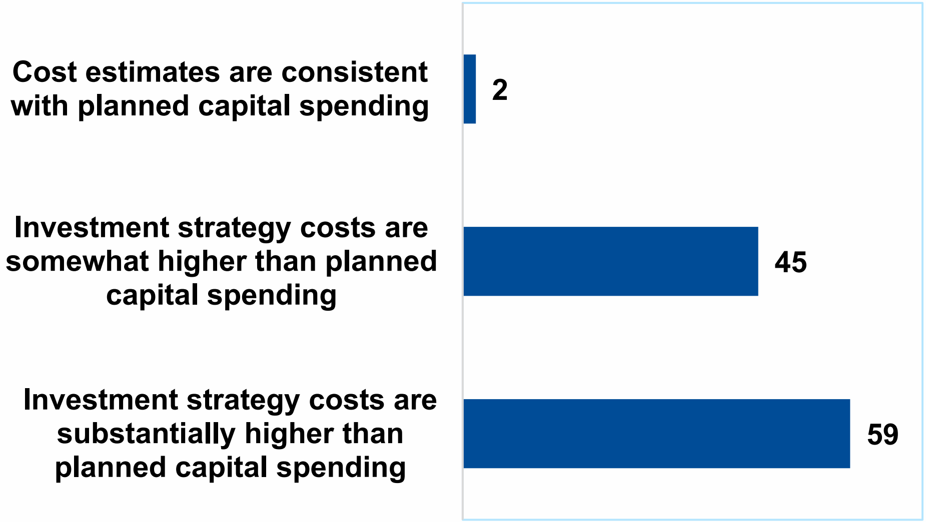
# Costing National Strategies

## Are investment strategies costed?

### **Design** – Number of Countries



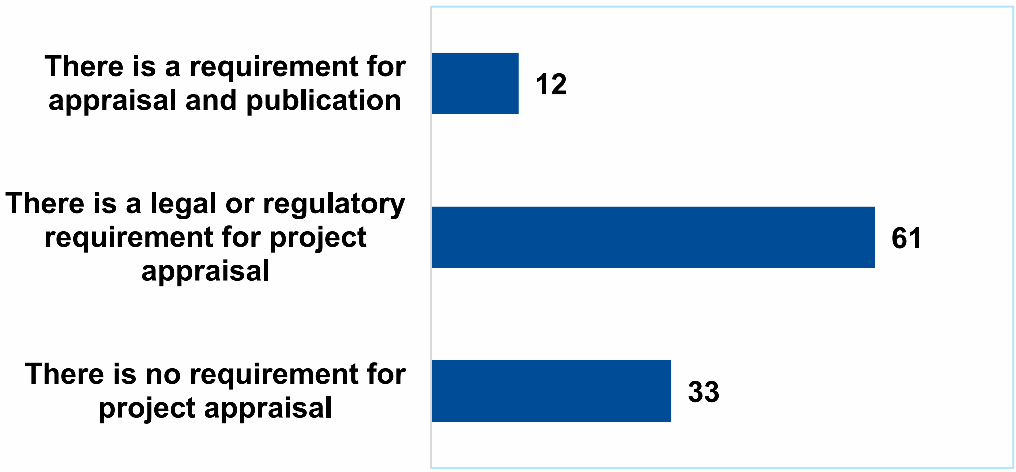

### **Effectiveness** – Number of Countries



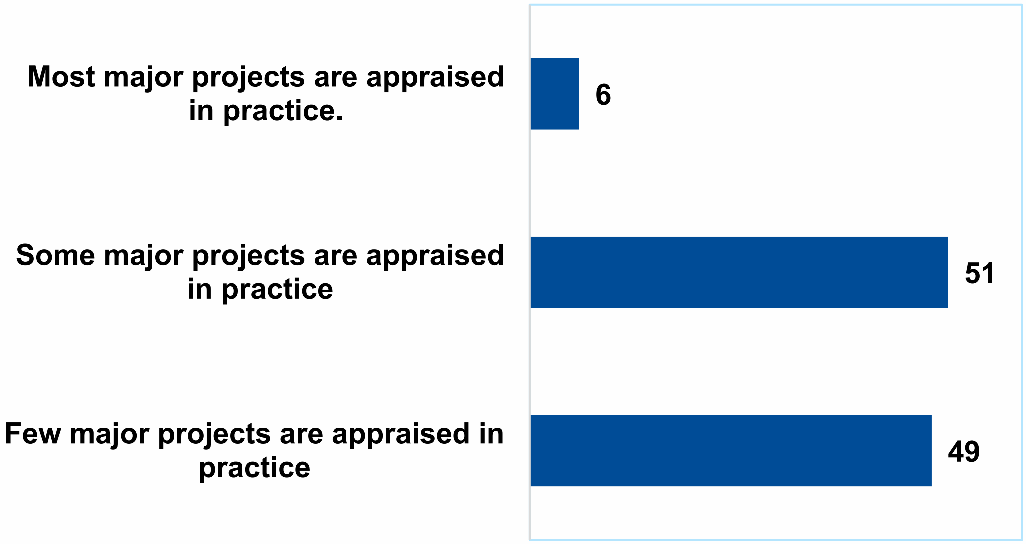
# Project Appraisal

## Are projects appraised prior to approval?

### **Design** – Number of Countries



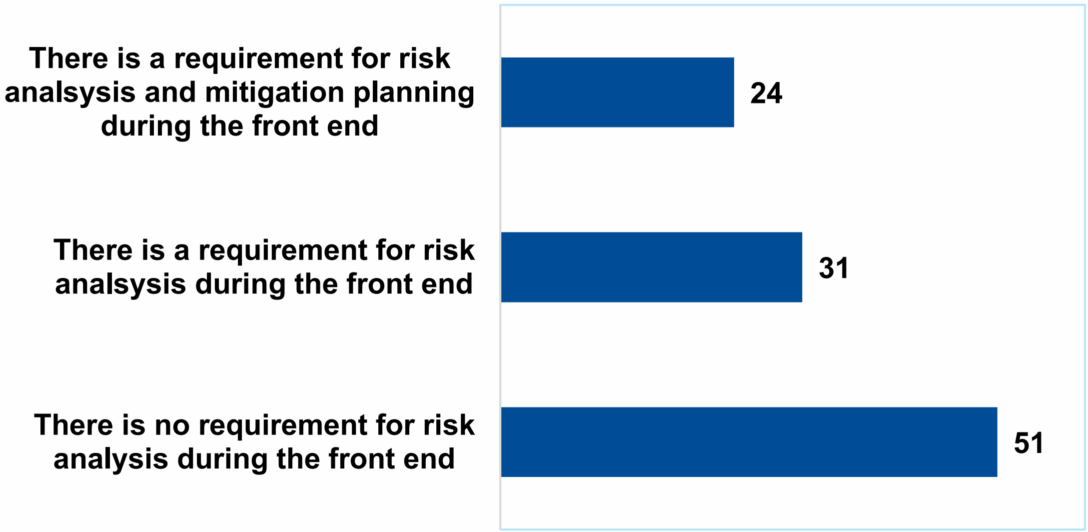

### **Effectiveness** – Number of Countries



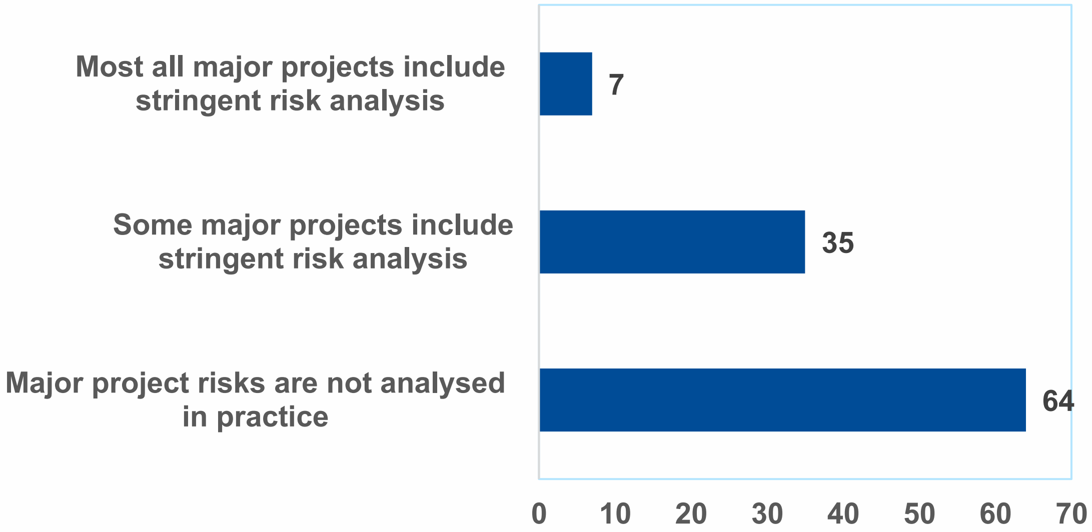
# Analyzing Risk

## Is risk assessed as part of project preparation and appraisal?

### **Design** – Number of Countries




### **Effectiveness** – Number of Countries

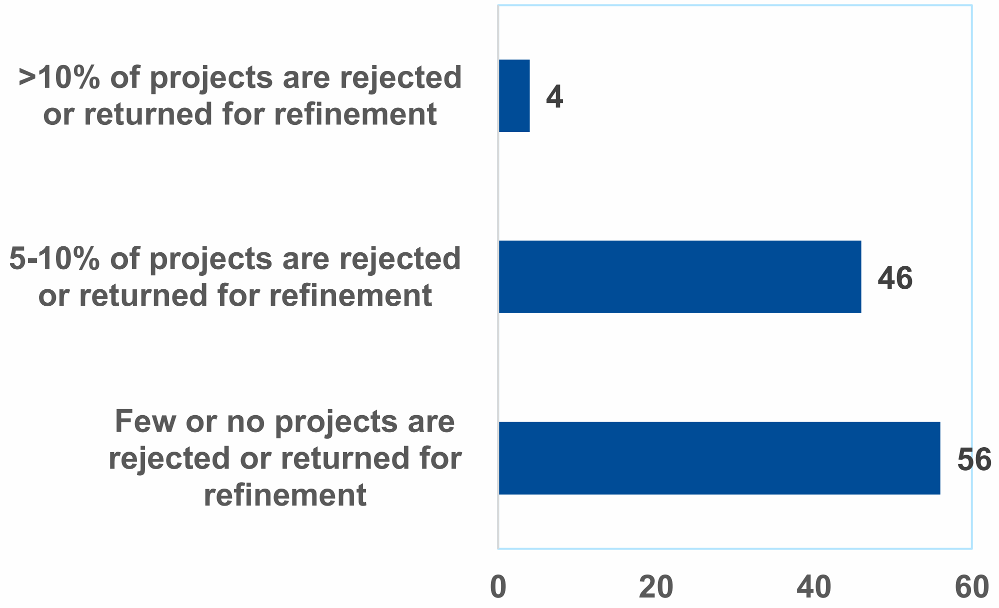


# Central Project Assurance

## Are projects required to be centrally reviewed prior to approval?

**Design** – Number Countries

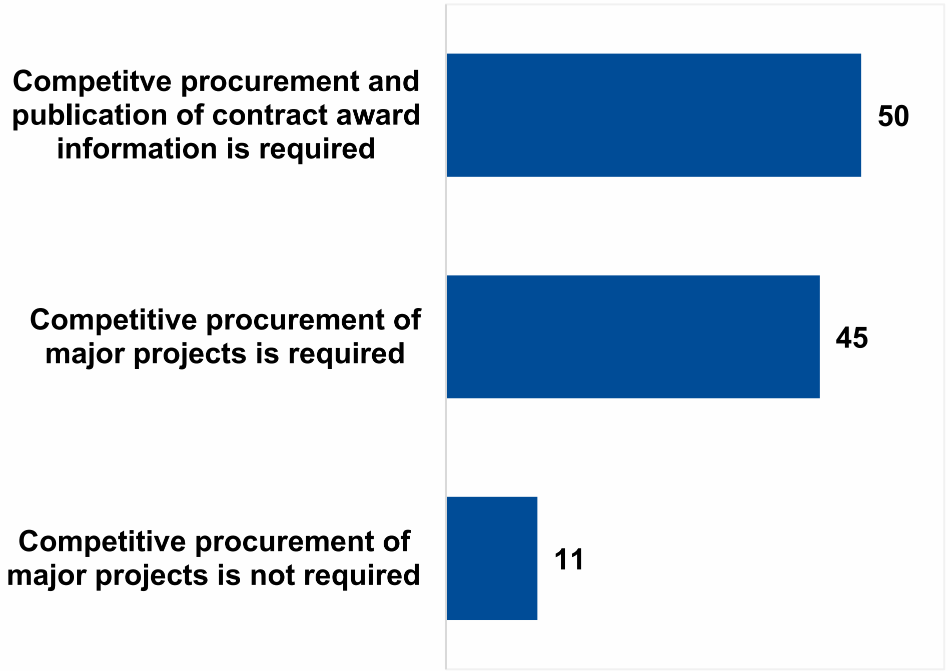

**Effectiveness** – Number Countries



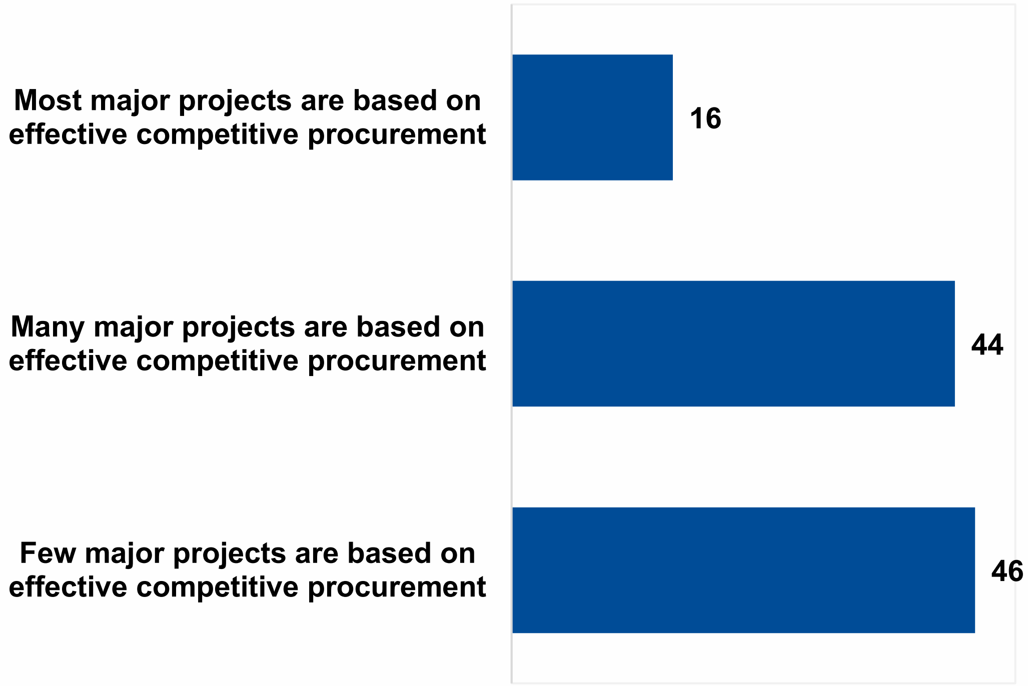
# Major Project Procurement

## Is open, competitive procurement used for major public investment projects?

**Design** – Number of Countries



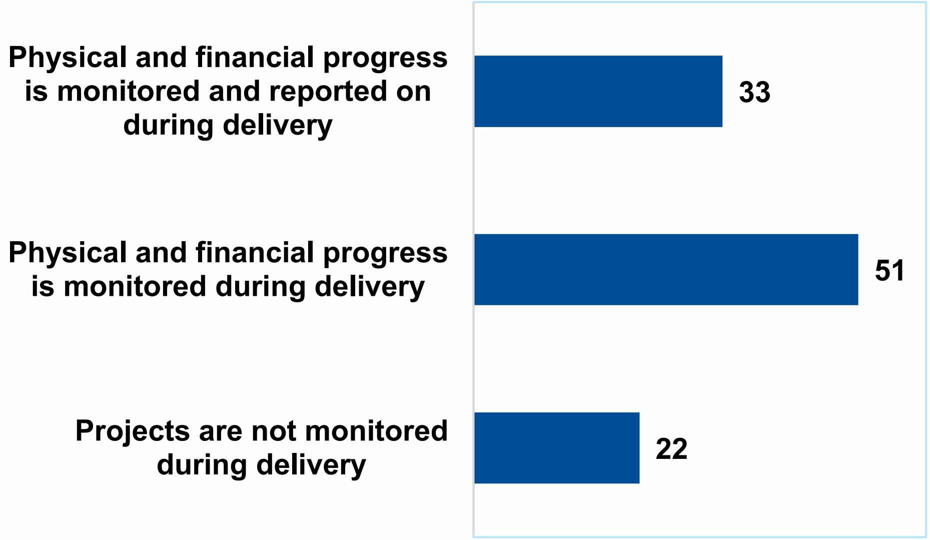

**Effectiveness** – Number of Countries



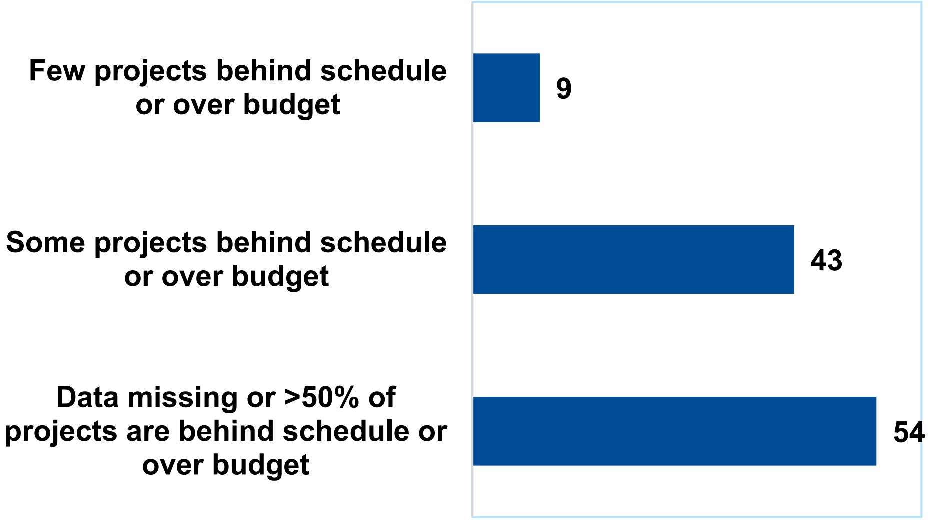
# Portfolio Management

## Is the portfolio of public projects reported and managed during delivery?

### **Design** – Number of Countries



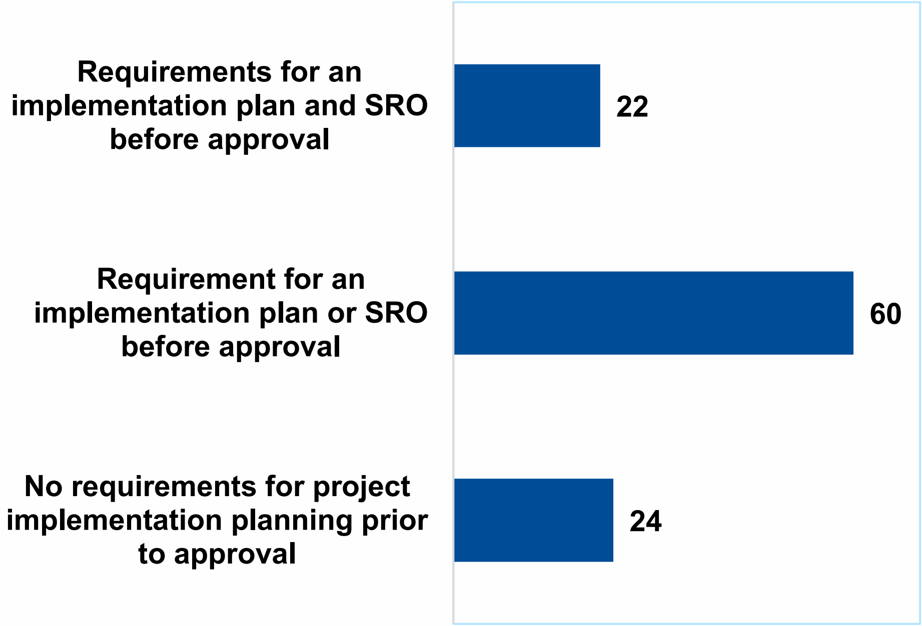

### **Effectiveness** – Number of Countries



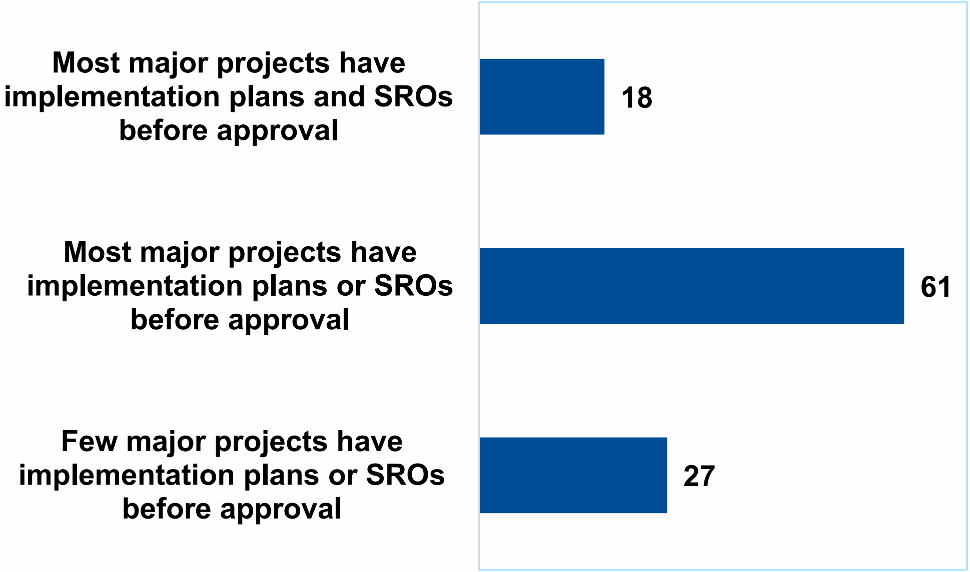
# Project Implementation

**Are delivery plans required prior to approval?**

**Design** – Number of Countries



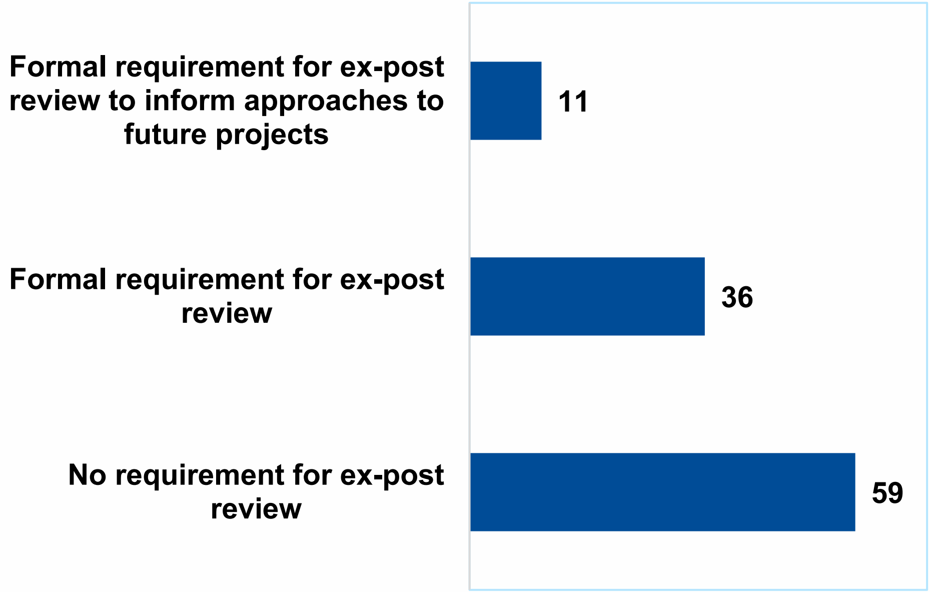

**Effectiveness** – Number of Countries



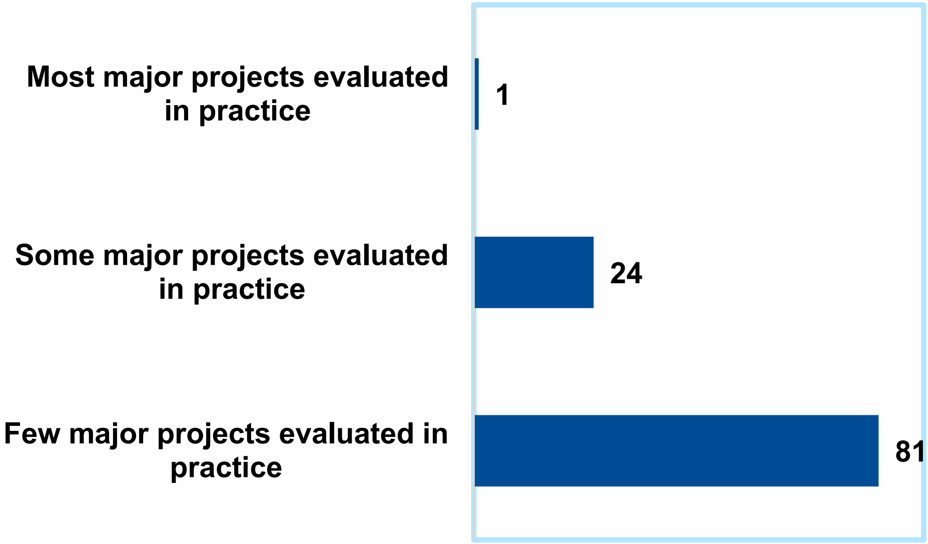
# Ex-post Review

## Are major projects evaluated post completion?

### **Design** – Number of Countries




### **Effectiveness** – Number of Countries



# Reflections

# Emerging trends

**Since 2015, progress has been strongest on design**

- Legal frameworks, published strategies, central public investment units, proliferation of guidance and methodologies

**Design on paper out-performs effectiveness in practice**

- E.g. Appraisal is legally required in most countries, but few appraise most major projects; competitive procurement is near-universal on paper, far less so in practice
- This holds across regions and across income groups
- Partially reflects the natural sequencing of reforms as well as the challenge of delivering meaningful change in practice

# Emerging trends

**National and sectoral strategies are widespread but are not typically fiscally anchored**

- Plans are often aspirational and unaffordable given fiscal constraints

**Front-end governance of public projects is improving faster than implementation management (and ex-post review and monitoring)**

- Many reforms have focused on improving project preparation and appraisal. Implementation, monitoring and ex-post review and lagging

**Central challenge functions are spreading, but there is a way to go**

- Most countries now review major projects centrally, relatively few projects are rejected or returned for refinement, reviews can be compliance-oriented and independent expert input remains rare

# But things are improving…

So far, twenty countries have had a PIMA update, applying the full framework again from start to finish:

- On average design of all phases has improved – the Planning Phase (incorporating project appraisal) has shown the largest improvement
- Effectiveness of Planning and Allocation Phases has also improved
- But there has been a small deterioration in scores on the effectiveness of the Implementation Phase

**Countries continue to show significant willingness to improve and continue to request technical assistance and training to underpin the reform agenda**

# https://infrastructuregovern.imf.org

# Thank you