Key findings of the paper

- Public investment levels have begun to recover from historic lows in mid-2000s, with some convergence in infrastructure between rich and poor countries.

- On average, about one-third of the potential impact of that investment is being lost, however, due to inefficiencies ("efficiency gap") in public investment processes.

- Strengthening public investment management (PIM) can reduce the efficiency gap by up to two-thirds, making public investment more predictable, credible, and productive. The resulting higher public investment efficiency, would also increase significantly (in some cases double) the impact of that investment on economic output.

- New PIMA and P-FRAM diagnostic tools can help countries evaluate their public investment management institutions and identify priorities for reform and technical assistance.
Public investment has not fully recovered from decades of steady decline ...

Public investment falling in advanced economies, but recovering elsewhere...

...with stagnation in quality and remaining disparities between rich and poor countries

Perceptions of Infrastructure Quality
(2006-14)
...and public investment efficiency gaps are sizeable.

Large public investment efficiency gaps both across and within different income groups. Average country is 27% below efficiency frontier with largest efficiency gaps among low-income countries.
Most efficient public investors get twice the economic dividend from their investment compared to least efficient public investors

Public Investment and Economic Output

Impact on output after 4 years of a 1% of GDP increase in investment

Profile of output impact of a 1% of GDP increase in public investment by efficiency group
15 PIM Institutions were identified as critical for public investment performance.

The PIMA Framework, a new diagnostic tool, evaluates 15 key institutions in 3 phases of the PIM process:

**Planning**
1. Fiscal rules
2. National & Sectoral Plans
3. Central-Local Coordination
4. Management of PPPs
5. Regulation of Infra. Corps.

**Allocating**
6. Multi-year budgeting
7. Budget Comprehensiveness
8. Budget Unity
9. Project Appraisal
10. Project Selection

**Implementing**
11. Protection of Investment
12. Availability of Funding
13. Transparency of Execution
14. Project Management
15. Monitoring of Assets
PIMA scores vary across institutions and country groups based on 25 sample countries.

Overall: institutional strength linked to development level and investment phase, but significant exceptions.
Higher PIMA scores associated with more efficient investment...

...and (more weakly) associated with more productive investment
Stronger PIM institutions associated with more stable levels of investment…

PIMA Score vs. Overall PI Volatility

R² = 0.3785

…and more credible capital budgets

PIMA Score vs. PI Over/Under Execution

R² = 0.2431
General priorities for strengthening PIM institutions

- Advanced economies: focus on introducing more investment-friendly fiscal frameworks, strengthen central-local coordination, and adopt more binding MTBFs.

- Emerging economies: unify current and capital budgets and adopt more rigorous and transparent mechanisms for investment project appraisal, selection, and management.

- Developing countries: focus on strengthening institutions related to project implementation.

- Most countries would benefit from better monitoring and control over PPPs and closer integration between strategic planning and capital budgeting.
Proposed next steps

- Jun-Jul 2015: outreach events, short publications

- Aug-Sep 2015: G-20 country case studies and notes (using PIMA), replicating and deepening board paper analysis, and engagement with G-20 country authorities.

- Fall 2015: Further piloting of Public Investment Management Assessment (PIMA) diagnostic in a broader country context, public consultation on PIMA framework, and revisions as needed

- Winter 2015: Launch of IMF PPP Fiscal Risk Analysis and Management (P-FRAM) tool after additional testing.

- Spring 2016: Finalized PIMA diagnostic operational.

- Ongoing: Greater emphasis in IMF technical assistance on strengthening public investment management institutions in coordination with WB and other MDBs