Infrastructure Governance

From Aspiration to Action

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Huge needs and disparities in quality and access to infrastructure

**Infrastructure Quality**
(Perception Indicators)

**Physical Access to Infrastructure**
(per 1000 people, most recent year available)


Source: Making Public Investment More Efficient, 2015, IMF. Database updated 2017
Spending more: needs in physical infrastructure assets are massive, but human capital needs are also large.

Additional Spending in 2030 to Reach High Outcomes in Selected SDGs 1/

- 6% of GDP in EMEs
- 14% of GDP in LIDC

Data source:
1/ IMF estimates for LIDC and EMEs countries in five sectors: human capital in education and health, and physical capital in roads, electricity and water.
Spending more in a fiscally sustainable way will not be easy

Public debt breaking record: $67 trillion


Gross public debt aims to cover all debt instruments owed by the nonfinancial public sector, general or central government, based on data availability. In some cases, coverage may be incomplete. SOE debt is included in cases where nonfinancial public sector debt data are available.
Spending more needs to go hand in hand with spending better

Given the limited room for “more spending,” meeting infrastructure needs will require:

- More revenue
- More (and more sustainable) private financing
- Better governance

Public Investment Efficiency Losses

Source: Making Public Investment More Efficient, 2015, IMF.
Need for stronger infrastructure governance recognized in global principles

2012 OECD
Principles for Private Sector Participation in Infrastructure

2014 WB “The Power of Public Investment Management”
Transforming Resources into Assets for Growth

2015 UN Sustainable Development Goals (Infrastructure)
2030 Agenda for Sustainable Development

2016 Japan G7 Presidency Ise-Shima Principles
Promoting Quality Infrastructure Investment

2017 OECD “Getting Infrastructure Right”
Framework for Governance of Infrastructure

2018 Argentina G20 Presidency
Infrastructure as Asset Class
Infrastructure Governance: IMF is Helping Countries to Move From Principles to Practice

PIMAs refers to countries that have PIMA assessments (49) or are in the pipeline until April 2019 (6). Other IG related activities include PIMAs follow-up missions, Fiscal Transparency Evaluations (FTE) and Public Private Partnerships Fiscal Risk Assessment Model (PFRAM) missions.
How exactly do we help countries move from principles to practice?

- Assessing where countries stand relative to these principles
- Providing follow-up support and capacity building
- Improving coordination

Need for a comprehensive, practical, accessible framework that facilitates coordination
PIMA could serve as an overarching global standard for infrastructure governance assessments

**Comprehensive**
- Macro-fiscal framework
- Investment planning
- Medium-term budgeting
- Project management

**Practical**
- Concrete recommendations
- Tailored to country context
- Sequenced prioritized action plan

**Accessible**
- Effective summary charts
- Peer comparison
- Clear distinction among design, effectiveness and importance

**Facilitates coordination**
- Catalyst for follow-up support
- Improve coordination among development partners to achieve results

Comprehensive framework for assessing infrastructure governance

CROSS CUTTING ENABLING FACTORS
- Legal and institutional frameworks
- Capacity
- IT systems

PLANNING
1. Fiscal targets & rules
2. National & Sectoral Plans
3. Coordination between Entities
4. Project Appraisal
5. Alternative Infrastructure Financing

IMPLEMENTATION
11. Procurement
12. Availability of Funding
13. Portfolio Management & Oversight
14. Management of project implementation
15. Monitoring of public assets

ALLOCATION
6. Multi-year budgeting
7. Budget comprehensiveness & unity
8. Budgeting for investment
9. Maintenance funding
10. Project selection
Accessible and effective communication of findings by stakeholders

“Spider charts”: benchmarking with peers

Country X — EMEs — World

“Heatmap”: Design vs Effectiveness
Key priority actions

<table>
<thead>
<tr>
<th>Phase / Institution</th>
<th>Institutional Strength</th>
<th>Effectiveness</th>
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<tr>
<td>Fiscal Targets &amp; Rules</td>
<td>Strong: Debt rule since 2009, deficit rule in effective since 2010, with an investment climate and automatic adjustment mechanisms</td>
<td>Medium: In 2014, the deficit exceeded the ceiling by 14.4 percent of GDP within the margin, despite under-execution of capital spending</td>
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<td>National &amp; Sectoral Planning</td>
<td>Good: National development under preparation; productivity of sectoral strategies with some performance measures</td>
<td>Low: Around 60 sectoral strategies are in place, without clear coordination and incomplete costing</td>
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<td>Central-local coordination</td>
<td>Medium: Debt limits constrain debt for municipalities; information for municipalities timely; rule-based allocation of capital transfers</td>
<td>Medium: In 2014, optimistic projections of own sources of 6 million result in corresponding under execution of capital spending for municipalities</td>
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<td>Public-private partnerships</td>
<td>Good: PPPs guided by strategy within strong institutional and legal framework, but not included in MTF or budget documentation</td>
<td>High: Existing PPPs capital stock account for 1.3 percent of GDP, but several projects planned. Fiscal risks currently low</td>
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<td>Regulation of infrastructure</td>
<td>Good: Regulatory framework supports competition, prices set by independent regulators, weak financial oversight assessment of fiscal risks of IOUs</td>
<td>Medium: Challenges to regulations independence. Public investment of IOUs account for 0.1 percent of GDP, but fiscal risks not assessed</td>
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<td>Multi-year budgeting</td>
<td>Medium: Multi-year ceilings of capital spending are published based on not published projections of full cost of capital projects, but not binding</td>
<td>Low: There are large discrepancies between MTBR ceilings and budget allocations (20 percent form 30)</td>
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<td>Budget comprehensiveness</td>
<td>Medium: Budget incorporates loans and contingent capital in the budgetary process, but does not materially affect grants and PPPs</td>
<td>High: Externally financed projects not in the budget are more than 3% of total capital spending; extra-budgetary capital spending is insignificant</td>
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<td>Budget unity</td>
<td>Good: Budgets disclose capital and current appropriations in a single document with GFS, but project-specific information is not disclosed</td>
<td>Low: Audit-General qualified the 2014 financial statements because of 5 percent misclassifications of current as capital spending</td>
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<td>Project appraisal</td>
<td>Medium: Most project selection carried out by BCS;Broadly in line with criteria in IPM Manual, but role of MoF weak and no legal basis</td>
<td>Medium: MoF and BCS lack resources to undertake the required analysis</td>
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<td>Project selection</td>
<td>Medium: Most project selection carried out by BCS, broadly in line with criteria in IPM Manual, but role of MoF weak and no legal basis</td>
<td>Low: Weak and fragmented decision making on project prioritization and selection contributes to the 45 percent shortfall in capital spending</td>
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<td>Transparency of execution</td>
<td>Medium: Procurement law in line with international standards, quantity monitoring limited to post audit of projects</td>
<td>Medium: Procurements are timely and post audit of projects to donor-funded projects</td>
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<td>Project management</td>
<td>Medium: Major projects have project management; adjustment rules generally in place no ex post review.</td>
<td>Medium: In 2012 and 2013, around one fourth of the projects had delays</td>
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<td>Asset accounting</td>
<td>Good: Financial audits regularly surveyed, depreciated and reported annually</td>
<td>Medium: Poor data quality; a mismatch between capital spending and stocks of 20 percent</td>
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Average PIMA scores in JVI’s region of operation*

* Albania, Armenia, Bosnia and Herzegovina, Bulgaria, Georgia, Kosovo, Kyrgyz Republic, Serbia and Ukraine.
### Recommendations and Actions

#### A. Sustainable Public Investment Planning

**Recommendation 2:** Provide a more comprehensive statement of the government’s development strategy for public investments in new and updated strategic documents

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<th>Provide in Vision 2030 a consistent overview of the government’s main strategies and investment priorities, with clear prioritization and linkages between sectors and projects.</th>
<th>FY16/17</th>
<th>FY17/18</th>
<th>FY18/19</th>
<th>Responsibility</th>
<th>Coordination</th>
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<td>Prime Minister Office</td>
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| Identify in the National Strategy for Land Use suitable sites for the different initiatives and projects, and provide a basis for the strategic acquisition of land. | | | | Ministry of Lands | |

| Update sector strategies to provide a comprehensive description of priority projects with indicative estimates for costs and expected outputs. | | | | Sector Ministries | WB |
Catalyst for stronger coordination

Facilitates coordination

Sri Lanka
WB/IMF country programs

Maldives
WB’s PFM Systems Strengthening Project

Mozambique
WB/DFID 3-year program with the government to strengthen PIM
Conclusion and issues for discussion

• A macro-critical issue at the top of the global agenda
  - Japan’s 2019 G20 Presidency – quality infrastructure
  - Related to SDG and private sector mobilization workstreams

• The IMF is well-positioned to support this agenda
  – PIMA = the most comprehensive assessment framework for assessing infrastructure governance
  – Fiscal sustainability and fiscal management at the core of our diagnostics and recommendations
  – Analytical studies in the pipeline to deepen the global thinking on infrastructure governance

• What are the main IG issues in participants’ countries?
  – Did your country undergo a PIMA? If so, can you share your experience?
  – Views on collaboration with multilateral development banks, both during and after the missions
  – Other ideas?
Thanks!

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