Public Investment Management (PIM) For “Investing to Capably Invest”

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Outline

- Why Public Investment Management (PIM) Matters?
- “Eight Must-Have Features” for PIM: A Diagnostic Tool
- The Bank’s PIM Agenda for “Investing to Capably Invest”
- Findings from PIM Country Diagnoses
- Tradeoffs and Sequence: Strengthen Appraisal or Implementation First?
- Lessons for PIM Reforms
- Coming Soon: A New PIM Indicator Drill-Down (“PIM for PPP”)
Why Public Investment Management (PIM) Matters?

- Public investment is justified by its expected positive effect on economic growth and social welfare.
- But the efficiency of public investment depends on the effectiveness of Public Investment Management (PIM) which is often weak.
- PIM Diagnostic Tool is a WBG product that analyzes and provides a platform for country dialogue on how public investment management can contribute to policy objectives and development outcomes.
- Once you learn the PIM Diagnostic Tool, you will be able to:
  - Identify key aspects of eight “must-have” features to a well functioning PIM system;
  - Describe key initiatives and entry points for PIM reform in developing countries.
“Eight Must-Have Features” for PIM: A Diagnostic Tool

Eight specific features provide a degree of assurance that there are no systemic loopholes that would enable wasteful or corrupt decisions. They are considered to be “must-have” features, not with the intention of establishing a gold standard but to provide a logical and internally consistent system that even a low-capacity country should try to follow to establish basic disciplines for project selection and management.

## The Bank’s PIM Agenda for “Investing to Capably Invest”

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<th>Diagnostic Tool</th>
<th>Policy Dialogue</th>
<th>Operational Assistance</th>
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<td>Qualitative Assessment Tool: PIM Must-Have Features</td>
<td>Identifying needs, validation, peer to peer learning</td>
<td>Diagnostic Operations</td>
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<td>Quantitative Assessment Tool: PIM Indicator Drill-Down</td>
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- **Qualitative Assessment Tool (PIM Must-Have Features):**
  - Brazil/Chile/China/East Timor/Equatorial Guinea/Korea/Latin America/Lesotho/Mongolia/Nigeria/Peru/Sierra Leone/Uganda/USA/Vietnam/West Balkans/Zambia/Zimbabwe (completed)

- **Quantitative Assessment Tool (PIM Indicator Drill-Down):**
  - Cape Verde/Ukraine (completed), Georgia/Jamaica/Thailand/Vietnam (ongoing)
Advanced PIM Countries

Strengthening appraisal
- Establishing clear expectations of new project proposals
- Building capacity across government in the techniques of project appraisal
- Independent reviews

Fully costed sector strategies integrated with MTEF

Transparency
### Findings from PIM Country Diagnoses

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<tr>
<th>Advanced PIM Countries</th>
<th>Less Developed PIM systems</th>
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<td>• Independent reviews</td>
<td>• Project preparation</td>
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<td>Demand-side strengthening</td>
<td>• Project appraisal (cost-benefit analysis, other appraisal analyses)</td>
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<td>• Centralized capacity for procurement reform</td>
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<td>• Building capacity across government in the techniques of project appraisal</td>
<td>• Medium-term orientation</td>
<td>• “Contracting out” of capacity</td>
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<td>• Independent reviews</td>
<td>• Project preparation</td>
<td>• Rationalizing and reducing the number of public investment units</td>
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<td><strong>Demand-side strengthening</strong></td>
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<td>• Improving quality of national strategic plans</td>
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- **Findings**
  - Strengthening appraisal
  - Procurement reform
  - Transparency

- **Less Developed PIM systems**
  - Strengthening project planning
  - Internal and external audit
Trade-offs and Sequence: Strengthen Appraisal or Implementation First?

Improving project execution may generate greater and faster benefits.

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<th>Well executed</th>
<th>Poorly executed</th>
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<td>Good projects</td>
<td>A</td>
<td>C</td>
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<tr>
<td>Poor projects</td>
<td>B</td>
<td>D</td>
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Reducing the number of poor projects selected for funding.

- Improving project execution may generate greater and faster benefits.
Lessons for PIM Reforms

- Ownership of assessment is important.
  - Often, but not always Ministry of Finance (MoF) at the center of process
  - Develops the framework for investment decision and has oversight control of public investment

- Clarity of roles and responsibilities is crucial for effective PIM.
  - Coordination across sectors and levels of government
  - The role of central guidelines are a particularly critical aspect of a well functioning PIM.

- Monitoring is important for early remedial action.
  - Financial Management Information System (FMIS)
  - Public Transparency & Accountability

- PIM reforms are incentive compatible.
  - Based on a sound understanding of and tailored to fit individual country trajectories, circumstances and practices
  - Technically feasible, relying on good enough practice
  - Carefully designed and sequenced

- Well functioning PEM and budgeting system, PPP and SOE governance, and debt management system are also important.
Coming Soon: A New PIM Indicator Drill-Down (“PIM for PPP”)

- A new PIM Indicator Drill-Down (“PIM for PPP”) is recently developed by PRMPS to provide “a unified framework” for integrating both traditional government project implementation and PPP.
  - Most countries have been managing public private partnership (PPP) projects separately from traditional government projects.
  - A principal key to initiating PPP projects is to establish whether a government can maintain the same level of fiscal efficiency and sustainability through PPPs as through conventional means of implementation.

- The “PIM for PPP” tool develops new indicators and means of verification to assess the eight must-have features of PPP systems, processes, and institutions.
  - The “PIM for PPP” tool helps governments put in place the unified approach for public investment that enables them to select the public investment option that delivers the best value for money, whether by traditional budget financing or PPP.
Thank You