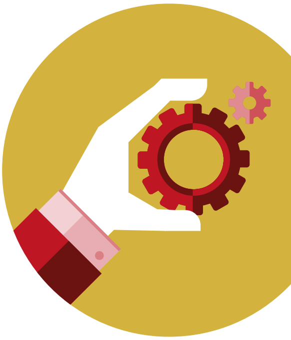
FISCAL AFFAIRS DEPARTMENT

PUBLIC INVESTMENT MANAGEMENT ASSESSMENT (PIMA)



INTERNATIONAL MONETARY FUND

"The efficiency of public investment management is crucial to derive the growth benefits from additional infrastructure investment."

Christine Lagarde
Managing Director of the IMF

"Public investment can serve as an important catalyst for economic growth, for example by supporting or enabling the delivery of key public services, and connecting citizens and firms to economic opportunities."

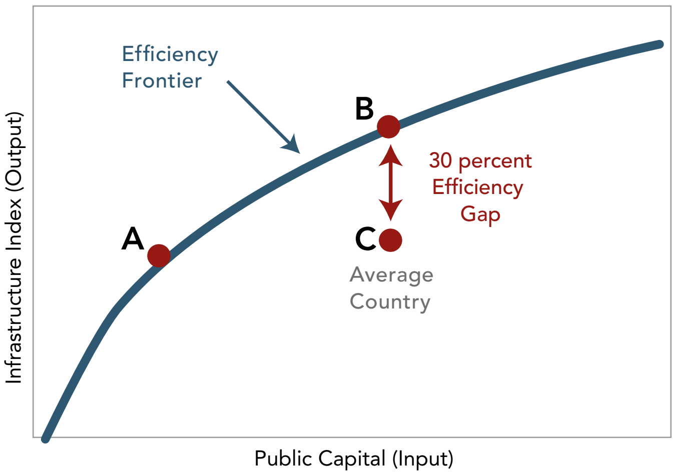
Vitor Gaspar
Director of the IMF's Fiscal Affairs Department

PUBLIC INVESTMENT MANAGEMENT ASSESSMENT (PIMA)

WHY PUBLIC INVESTMENT MATTERS

Public investment can be an important catalyst for economic growth, but the benefits of additional investment depend crucially on how it is managed. An IMF study[1] found that the average country loses about 30 percent of the returns on its investment to inefficiencies in its public investment management processes (Figure 1). There is substantial scope for improving public investment efficiency across income groups (Figure 2). Improvements in public investment management can help countries close up to two-thirds of the efficiency gap. The growth dividend from doing so is substantial—the most efficient investors get twice the growth bang for their investment buck than the least efficient investors.

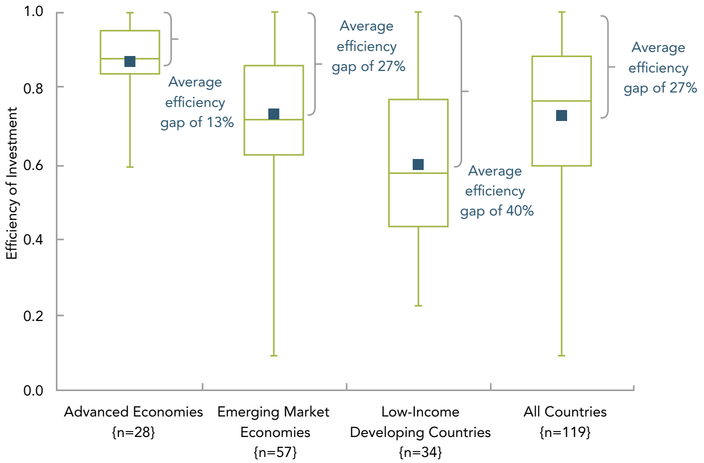
Figure 1 **Public Investment Efficiency Gap**



[1] IMF Board Paper "Making Public Investment More Efficient", June 2015.

Since its introduction in 2015, the PIMA framework has become a key tool for helping IMF member countries strengthen the efficiency and effectiveness of public investment, with more than 30 assessments conducted to date. PIMAs are an integral part of the IMF's Infrastructure Policy Support Initiative (IPSI) that promotes the implementation of the 2015 Addis Ababa Action Agenda for financing sustainable development and the infrastructure-related Sustainable Development Goals (SDG).

Figure 2 **Public Investment Efficiency**



WHAT IS A PIMA?

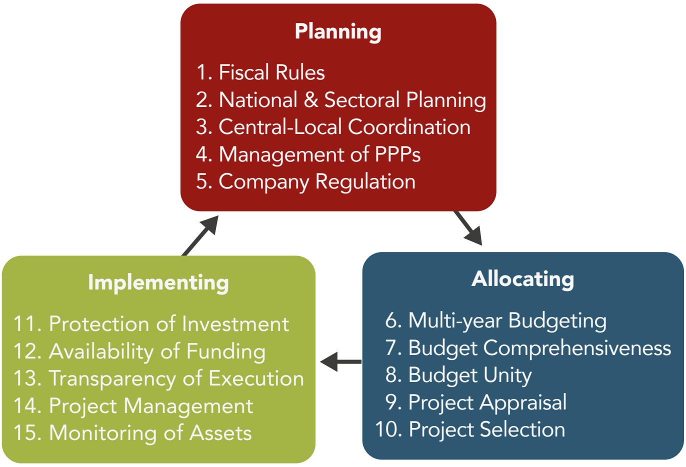
A PIMA helps countries evaluate the strength of their public investment management practices. The PIMA evaluates the design and effectiveness of 15 institutions that shape decision-making at three key stages of the public investment cycle (Figure 3):

- **Planning investment.** Efficient investment planning requires institutions that ensure public investment is fiscally sustainable and effectively coordinated across sectors and levels of government.

- **Allocating investment to the right sectors.** Allocating public investment to the most productive sectors and projects requires comprehensive, unified, and medium-term planning as well as objective criteria for appraising and selecting specific projects.

- **Implementing investment.** Timely and cost-effective implementation of public investment projects requires institutions that ensure projects are fully funded, effectively managed, and transparently monitored throughout their implementation.

Figure 3 **The PIMA Framework**



WHAT ARE THE BENEFITS OF A PIMA?

The PIMA provides a comprehensive diagnostic of the strengths and weaknesses of a country's public investment management system, allowing comparisons with similar groupings, and country-tailored recommendations.

- **For country authorities,** it provides a basis to produce a prioritized reform plan, tailored to their specific needs and aligned with the country's resources and capacities;

- **For the Fund,** it supports the policy dialogue with countries, including surveillance and Fund-supported program design, resulting in better reflection of public investment management issues in Fund's work agenda; and
- **For donors,** it helps assess needs, mobilize funding and improve coordination among capacity development providers.

THE PIMA REPORT

The findings and recommendations of the PIMA are summarized in a concise report. The report provides an analysis of the trends and composition of public investment (Figure 4 and 5), estimates the impact and efficiency of the country's public investment (Figure 6 and 7) and summarizes the country's institutional strengths and weaknesses compared to peers (Figure 8).

Figure 4 **Botswana: Composition of Public Investment by Function**

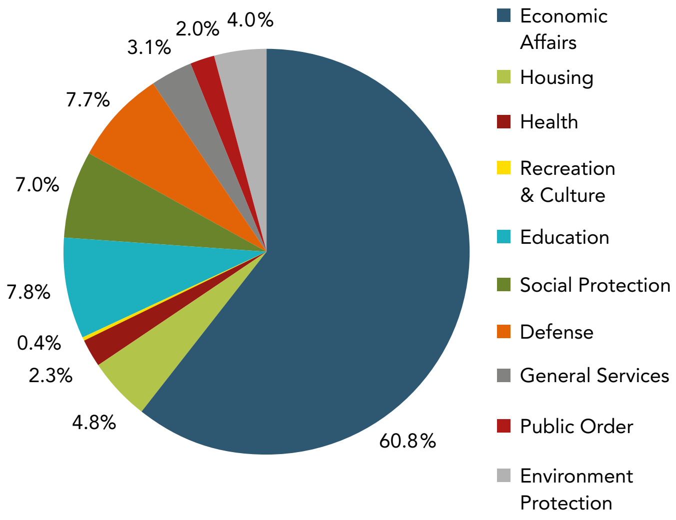


Figure 5 **Kosovo: Public Capital Stock**

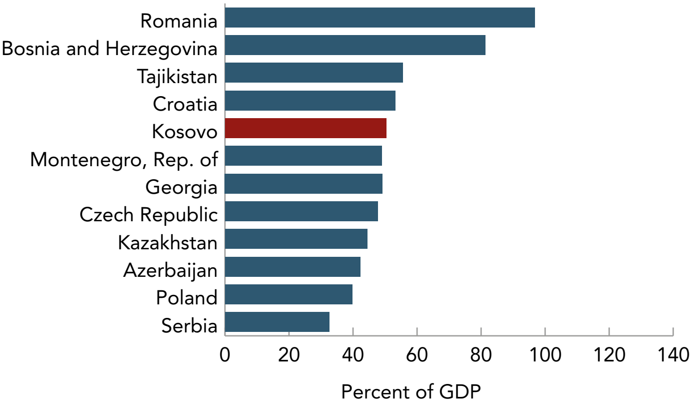


Figure 6 **Mali: Public Infrastructure Access and Service Delivery**

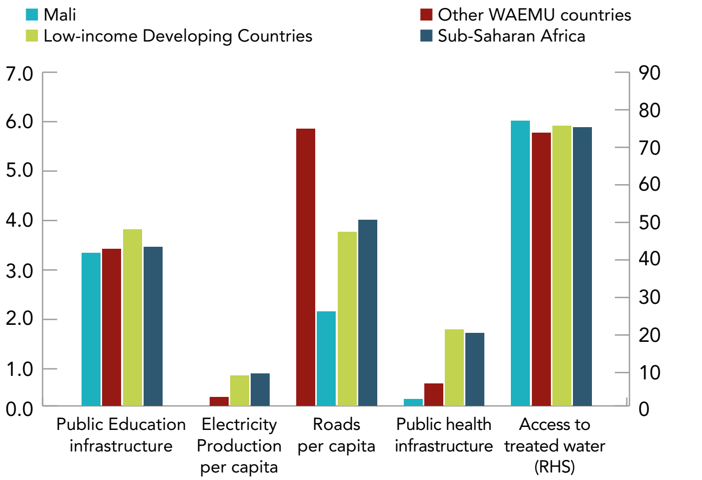


Figure 7 Ireland: Efficiency of Public Investment

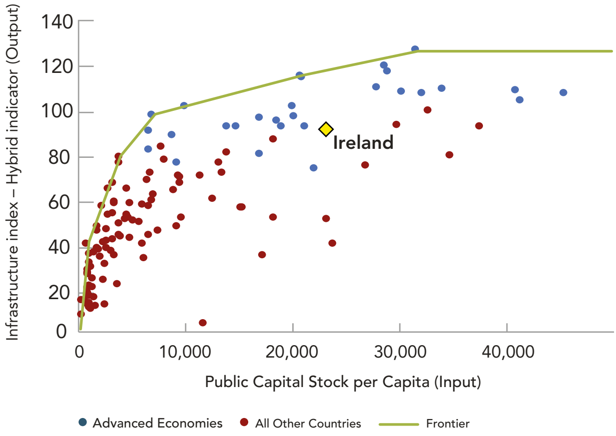
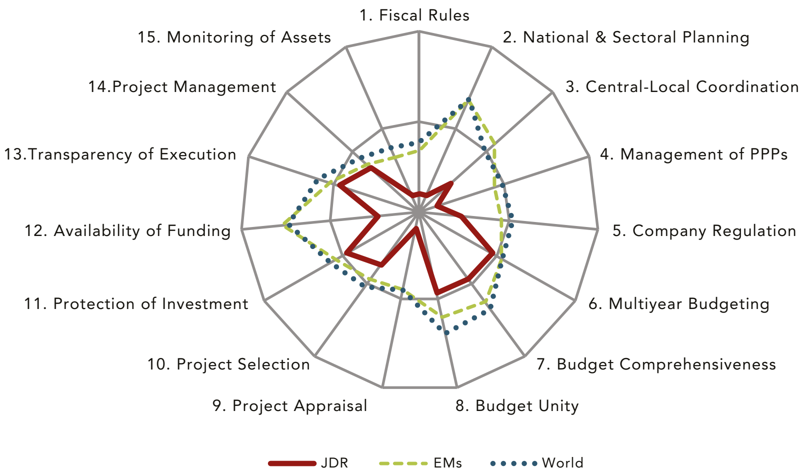


Figure 8 Jordan: Strength of PIMA Institutions



SUMMARY HEATMAP

The summary heatmap gives a comprehensive picture of the institutional strength and effectiveness of a country's public investment management institutions (Table 1) and provides the basis for a prioritized set of recommendations and a sequenced action plan.

TABLE 1. KOSOVO: PIMA SUMMARY HEATMAP

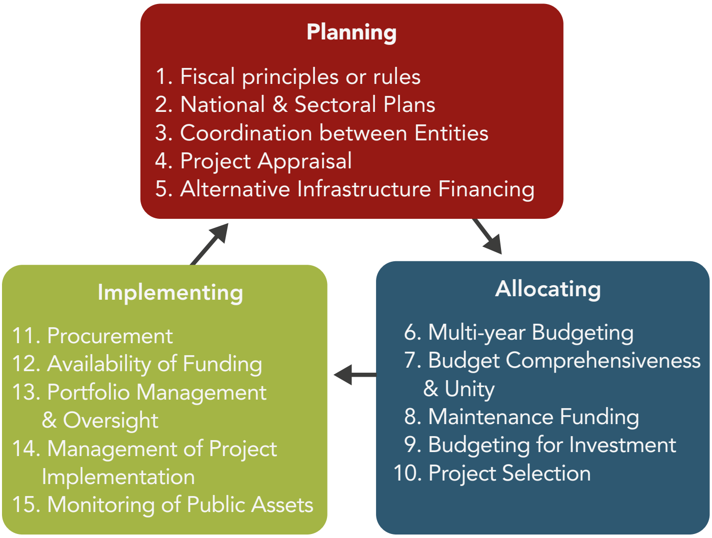
Phase/Institution			Institutional Strength	Effectiveness
A. Planning	1	Fiscal rules	Strong: Debt rule since 2009, deficit rule in effect since 2014, with an investment clause and automatic adjustment mechanism.	Medium: In 2014, the deficit exceeded the ceiling by 0.4 percent of GDP within the margin, despite under execution of capital spending.
	2	National and sectoral planning	Good: National development under preparation; multiplicity of sectoral strategies with some performance measures.	Low: Around 80 sectoral strategies are in place, without clear coordination and incomplete costing.
	3	Central-local coordination	Medium: Debt limits constrain debt for municipalities; information for municipalities timely; no rule-based allocation of capital transfers.	Medium: In 2014, optimistic projections of own revenues of 6 million result in corresponding under execution of capital spending for municipalities.
	4	Public-private partnerships	Good: PPPs guided by strategy within strong institutional and legal framework, but not included in MTBF or budget documentation.	High: Existing PPPs capital stock account for 1.2 percent of GDP, but several projects planned. Fiscal risks currently low.
	5	Regulation of infra-structure companies	Good: Regulatory framework supports competition; prices set by independent regulators; weak financial oversight assessment of fiscal risks of POEs.	Medium: Challenges to regulators' independence. Public investment of POEs account for 0.1 percent of GDP, but fiscal risks not assessed.

Phase/Institution			Institutional Strength	Effectiveness
B. Allocating	6	Multi-year budgeting	Good: Multi-year ceilings of capital spending are published based on not published projections of full cost of capital projects, but not binding.	Low: There are large discrepancies between MTBF ceilings and budget allocations (22 percent for n+2).
B. Allocating	7	Budget comprehen-siveness	Medium: Budget incorpo-rates loans and co-financed donor funding, but not externally financed grants and PPPs.	High: Externally financed projects not in the budget less than 3% of total capital spending; extra-budgetary capital spending is insignificant.
B. Allocating	8	Budget unity	Good: Budgets disclose capital and current appropri-ations in a single document in line with GFS, but project specific information is not disclosed.	Low: Auditor General qualified the 2014 financial statements because of 5 percent misclassifications of current as capital spending.
B. Allocating	9	Project appraisal	Medium: The methodology is comprehensive; but results not published and limited risk analysis.	Medium: MoF and BOs lack resources to undertake the required analysis.
B. Allocating	10	Project selection	Medium: Most project selection carried out by BOs, broadly in line with criteria in PIP Manual; but role of MoF weak and no legal basis.	Low: Weak and fragmented decision making on project prioritization and selection contributes to the 45 percent efficiency gap.
C. Implementing	11	Protection of investment	Low: Projects appropriated on annual basis only, no restrictions on virements, and restricted carryovers.	Medium: Average under execution of the annual budget was 10 percent, in line with regional average.
C. Implementing	12	Availability of funding	Good: Cash flows planed quarterly and generally released in time, but some grants outside TSA.	Medium: 1.1 percent of capital spending is in arrears, but total arrears are 2 percent of GDP in 2014.
C. Implementing	13	Transparency of execution	Medium: Procurement law in line with internet standards; quarterly monitoring; limited ex-post audit of projects.	Low: Court proceedings limit ex-post audits of projects to donor-funded projects.
C. Implementing	14	Project management	Medium: Major projects have project managers; adjust-ment rules generally in place; no ex-post reviews.	Medium: In 2012 and 2013, around one fourth of the projects had delays.
C. Implementing	15	Assets accounting	Good: Non-financial assets regularly surveyed, depreci-ated and reported annually.	Medium: Poor data quality, e.g., mismatch of between capital spending and stocks of 33 percent.

REVISION OF THE PIMA FRAMEWORK

Beginning May 1, 2018, revisions to the PIMA framework will take effect. These were made in consultation with assessment teams and other stakeholders. Revisions have been accommodated within the existing structure, without increasing the total number of institutions, by adjusting their composition.

Figure 9 **Updated PIMA Framework**



The revised PIMA framework increases attention to important public investment management practices, notably procurement, maintenance, and three cross-cutting enabling factors (legal framework, capacity, and IT systems).

Find out more about the IMF's work on public investment at **www.imf.org/publicinvestment**

For inquiries, please contact **IMFPUBINV@imf.org**

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