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 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.

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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.

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**Figure 3  The PIMA Framework**

**Planning**
1. Fiscal Rules
2. National & Sectoral Planning
3. Central-Local Coordination
4. Management of PPPs
5. Company Regulation

**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

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**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.

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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).

![Botswana: Composition of Public Investment by Function](image)

**Figure 4**
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
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

<table>
<thead>
<tr>
<th>Phase/Institution</th>
<th>Institutional Strength</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Fiscal rules</strong></td>
<td>Strong: Debt rule since 2009, deficit rule in effect since 2014, with an investment clause and automatic adjustment mechanism.</td>
<td>Medium: In 2014, the deficit exceeded the ceiling by 0.4 percent of GDP within the margin, despite under execution of capital spending.</td>
</tr>
<tr>
<td><strong>2. National and sectoral planning</strong></td>
<td>Good: National development under preparation; multiplicity of sectoral strategies with some performance measures.</td>
<td>Low: Around 80 sectoral strategies are in place, without clear coordination and incomplete costing.</td>
</tr>
<tr>
<td><strong>3. Central-local coordination</strong></td>
<td>Medium: Debt limits constrain debt for municipalities; information for municipalities timely; no rule-based allocation of capital transfers.</td>
<td>Medium: In 2014, optimistic projections of own revenues of 6 million result in corresponding under execution of capital spending for municipalities.</td>
</tr>
<tr>
<td><strong>4. Public-private partnerships</strong></td>
<td>Good: PPPs guided by strategy within strong institutional and legal framework, but not included in MTBF or budget documentation.</td>
<td>High: Existing PPPs capital stock account for 1.2 percent of GDP, but several projects planned. Fiscal risks currently low.</td>
</tr>
<tr>
<td><strong>5. Regulation of infrastructure companies</strong></td>
<td>Good: Regulatory framework supports competition; prices set by independent regulators; weak financial oversight assessment of fiscal risks of POEs.</td>
<td>Medium: Challenges to regulators’ independence. Public investment of POEs account for 0.1 percent of GDP, but fiscal risks not assessed.</td>
</tr>
<tr>
<td>Phase/Institution</td>
<td>Institutional Strength</td>
<td>Effectiveness</td>
</tr>
<tr>
<td>------------------</td>
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<tr>
<td><strong>B. Allocating</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td><strong>Multi-year budgeting</strong></td>
<td>Good: Multi-year ceilings of capital spending are published based on not published projections of full cost of capital projects, but not binding.</td>
</tr>
<tr>
<td>7</td>
<td><strong>Budget comprehensiveness</strong></td>
<td>Medium: Budget incorporates loans and co-financed donor funding, but not externally financed grants and PPPs.</td>
</tr>
<tr>
<td>8</td>
<td><strong>Budget unity</strong></td>
<td>Good: Budgets disclose capital and current appropriations in a single document in line with GFS, but project specific information is not disclosed.</td>
</tr>
<tr>
<td>9</td>
<td><strong>Project appraisal</strong></td>
<td>Medium: The methodology is comprehensive; but results not published and limited risk analysis.</td>
</tr>
<tr>
<td>10</td>
<td><strong>Project selection</strong></td>
<td>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.</td>
</tr>
<tr>
<td>11</td>
<td><strong>Protection of investment</strong></td>
<td>Low: Projects appropriated on annual basis only, no restrictions on virements, and restricted carryovers.</td>
</tr>
<tr>
<td>12</td>
<td><strong>Availability of funding</strong></td>
<td>Good: Cash flows planed quarterly and generally released in time, but some grants outside TSA.</td>
</tr>
<tr>
<td>13</td>
<td><strong>Transparency of execution</strong></td>
<td>Medium: Procurement law in line with internet standards; quarterly monitoring; limited ex-post audit of projects.</td>
</tr>
<tr>
<td>14</td>
<td><strong>Project management</strong></td>
<td>Medium: Major projects have project managers; adjustment rules generally in place; no ex-post reviews.</td>
</tr>
<tr>
<td>15</td>
<td><strong>Assets accounting</strong></td>
<td>Good: Non-financial assets regularly surveyed, depreciated and reported annually.</td>
</tr>
</tbody>
</table>
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.

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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