



Investing In Public Investment: An Index of Public Investment Efficiency ^{1/}

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^{1/} This presentation is based on a working paper. Working papers describe research in progress by the authors. The views presented are those of the authors and do not represent the views of the IMF or IMF policy.

Motivation: Why an Index of Public Investment Management?

LICs are capital scarce: large “gaps” in health, education, infrastructure



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graph TD; A[LICs are capital scarce: large “gaps” in health, education, infrastructure] --> B[Scaling-up of public investment needed to support development process]; B --> C[Key question: Is the investment process in LICs efficient enough to guarantee high growth dividends?];
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Scaling-up of public investment needed to support development process

Key question: Is the investment process in LICs efficient enough to guarantee high growth dividends?

Does spending on public investment translate into productive assets?

- Evidence of inadequate efficiency in many LICs
 - Weaknesses in PFM
 - Cost over-runs
 - Poor project selection (wasteful “white elephants”)
 - Delays in project implementation
 - Corrupt procurement practices
- Return on private investment is lowered by poor public investment

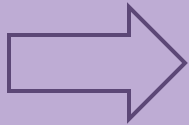
What Do We Do in This Paper?

- First multi dimensional index of the public investment management efficiency for 71 countries
- Objective is to capture the institutional process underpinning investment.
 - Guide prioritization of Technical Assistance and reforms of public investment management
 - Contribute to the literature with research applications of the index

Constructing the Index

Four Key Stages of the Public Investment Management

**1) Project
Appraisal**



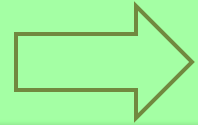
**2) Project
Selection**



**3) Project
Implementation**



**4) Project
Evaluation
and Audit**



1. Strategic Guidance and Project Appraisal

- ① Nature of strategic guidance and availability of sector strategies
- ② Transparency of appraisal standards
- ③ Independent review of appraisals conducted



2. Project Selection

- ⦿ Existence of medium term planning framework and its integration to the budget
- ⦿ Inclusion in budget (or similar) of donor funded projects
- ⦿ Integration of recurrent and investment expenditures in budget
- ⦿ Scrutiny and more formal review process of projects conducted by legislature, including its committees
- ⦿ Public access to key fiscal information, contract awards and external audit reports



3. Project Implementation

- ◉ Degree of open competition for award of contracts
- ◉ Nature of any complaints mechanism relating to procurement
- ◉ Predictability of funding flows during budget execution
- ◉ Existence and effectiveness of internal controls, such as commitment controls
- ◉ Effectiveness of system of internal audit



4. Project Evaluation and Audit

- ④ Degree to which ex-post evaluations are conducted
- ④ Degree to which external audits are produced on a timely basis and scrutinized by the legislature
- ④ The maintenance of asset registers, and/or asset values



Data and Scoring Methodology

71 countries (includes 40 LICs)



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graph TD; A[71 countries (includes 40 LICs)] --> B[Relies on existing information from various sources, 4 stages of investment process, 17 questions.]; B --> C[Scoring for each criterion ranges from 0 (lowest) to 4 (highest)]; C --> D[Additive aggregation method for construction];
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Relies on existing information from various sources, 4 stages of investment process, 17 questions.

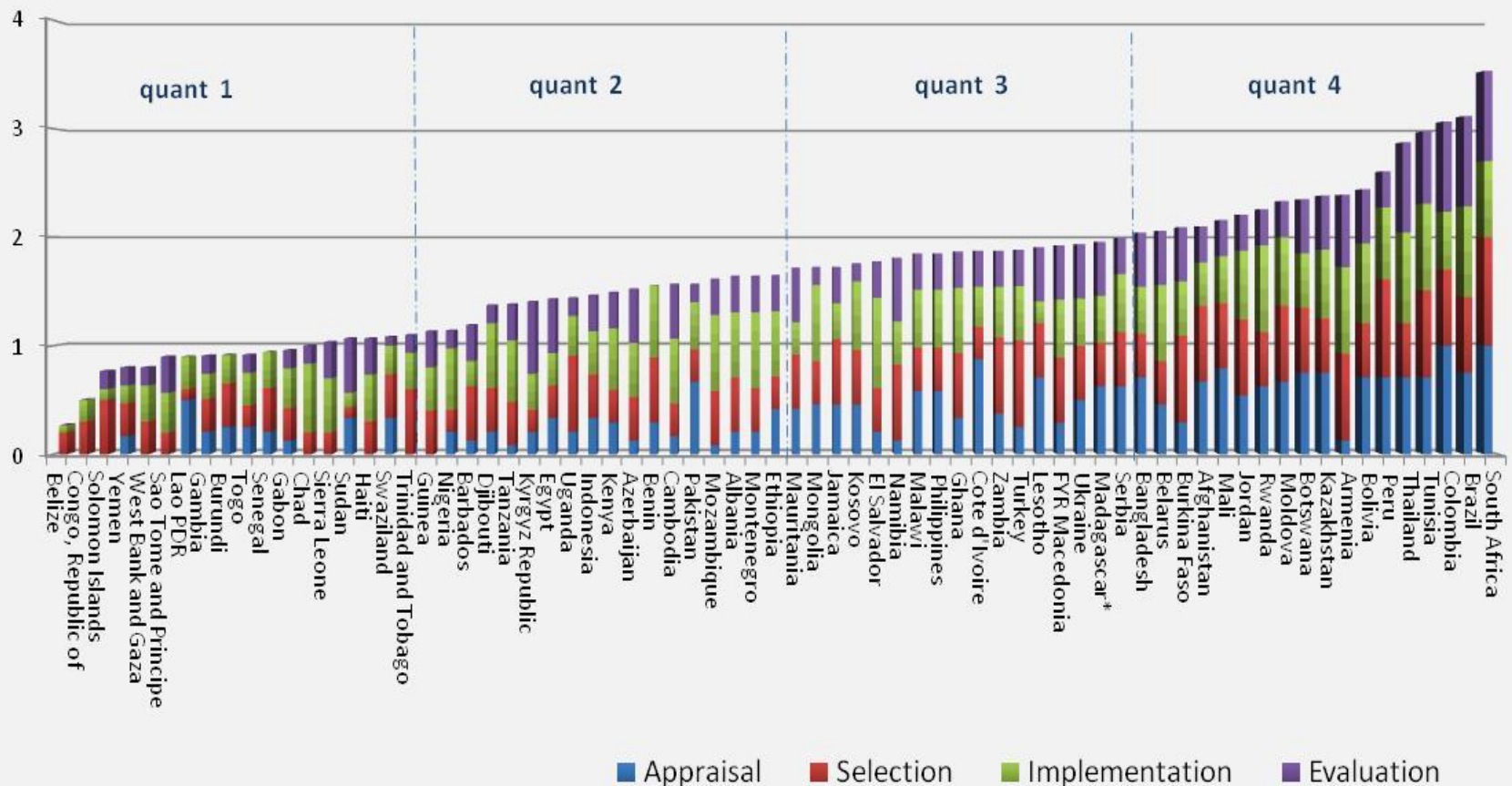
Scoring for each criterion ranges from 0 (lowest) to 4 (highest)

Additive aggregation method for construction

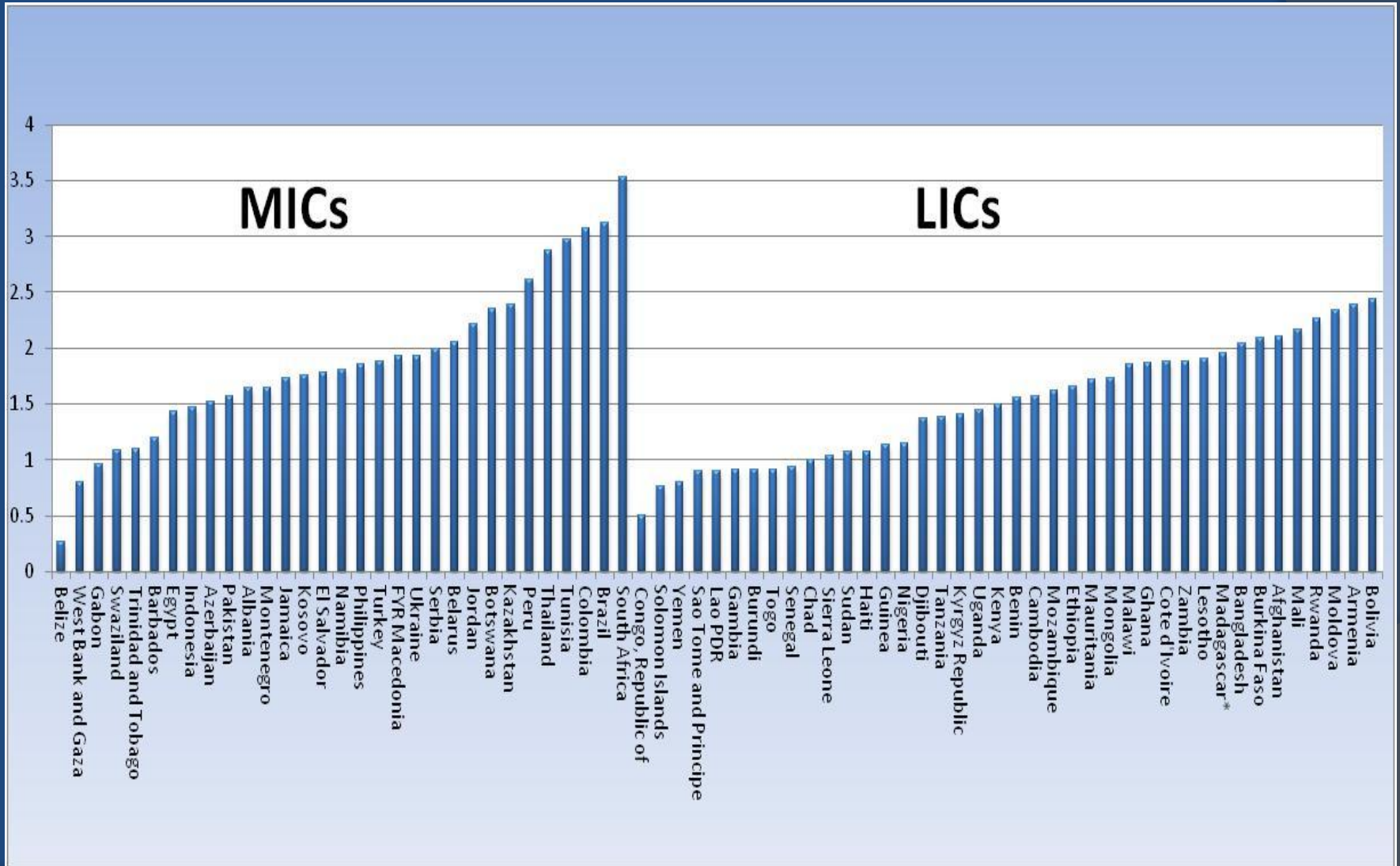
Index Scores

(by Country, Region and Income Group)

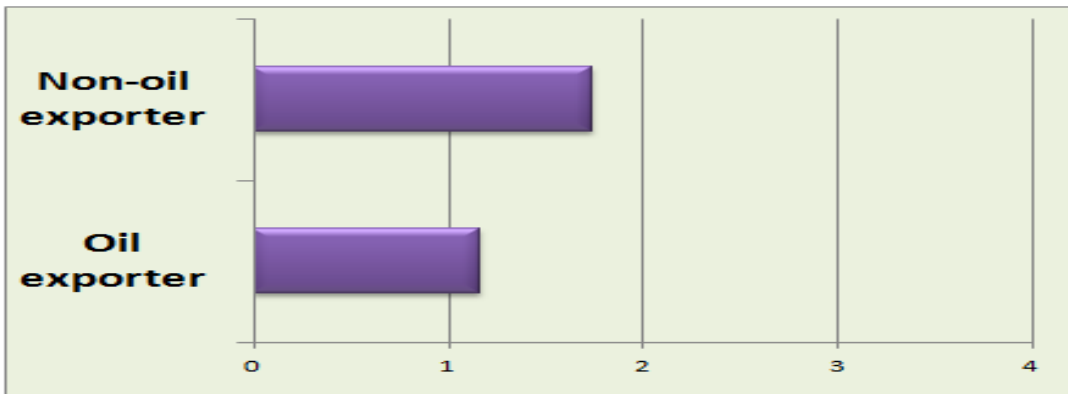
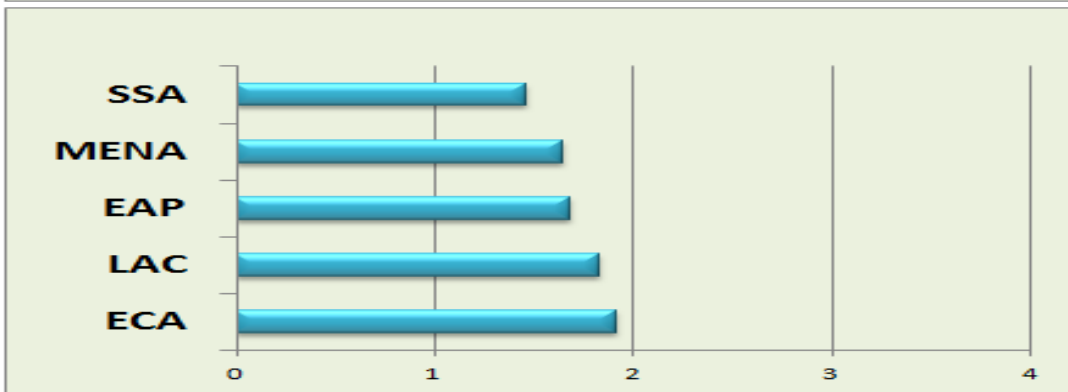
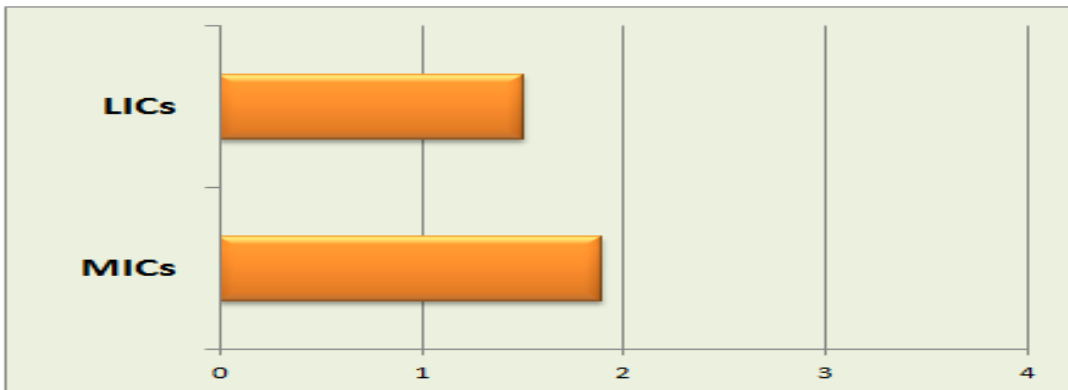
PIMI: Decomposition by Sub-Index



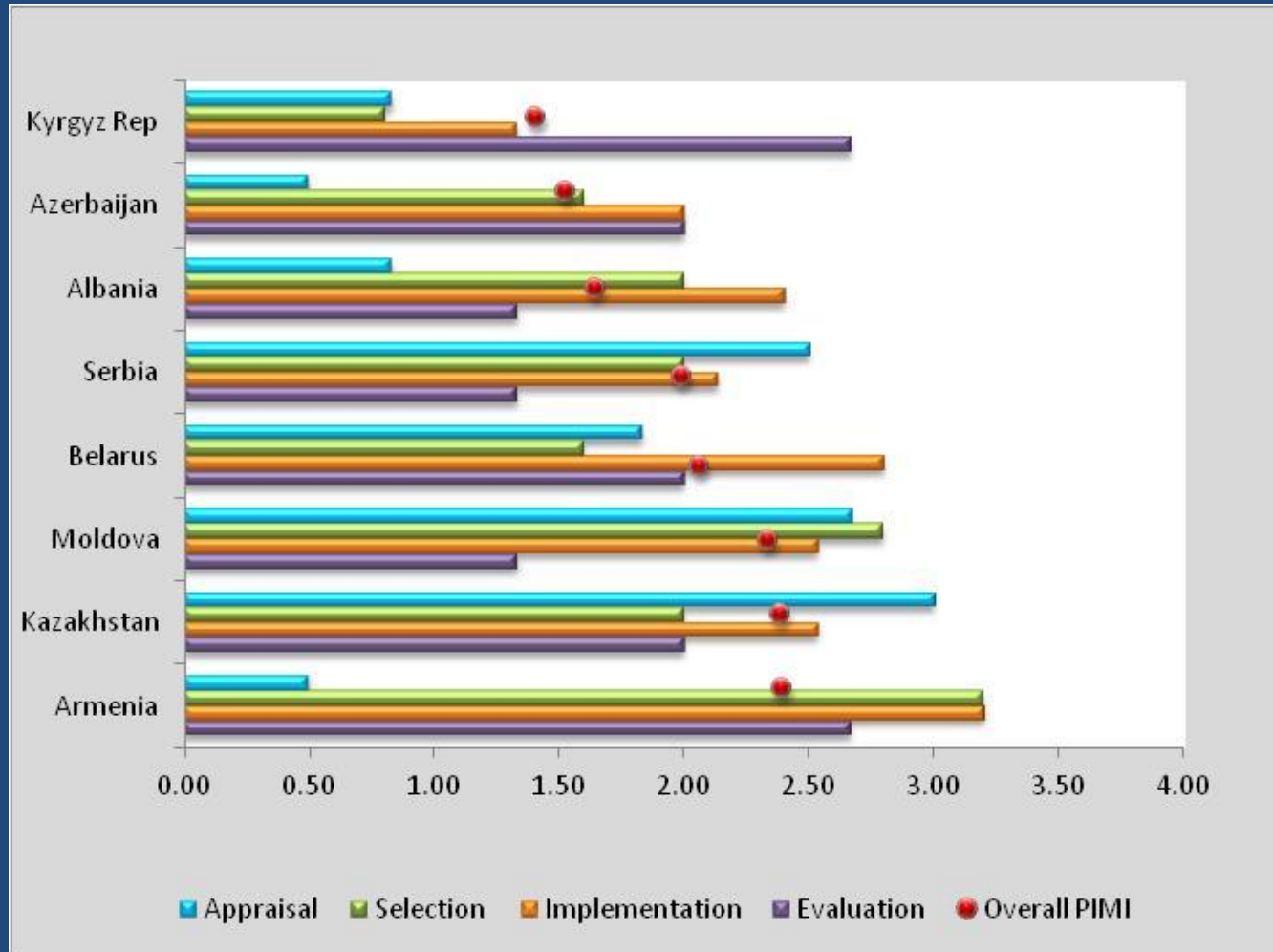
PIMI: LICs vs. MICs



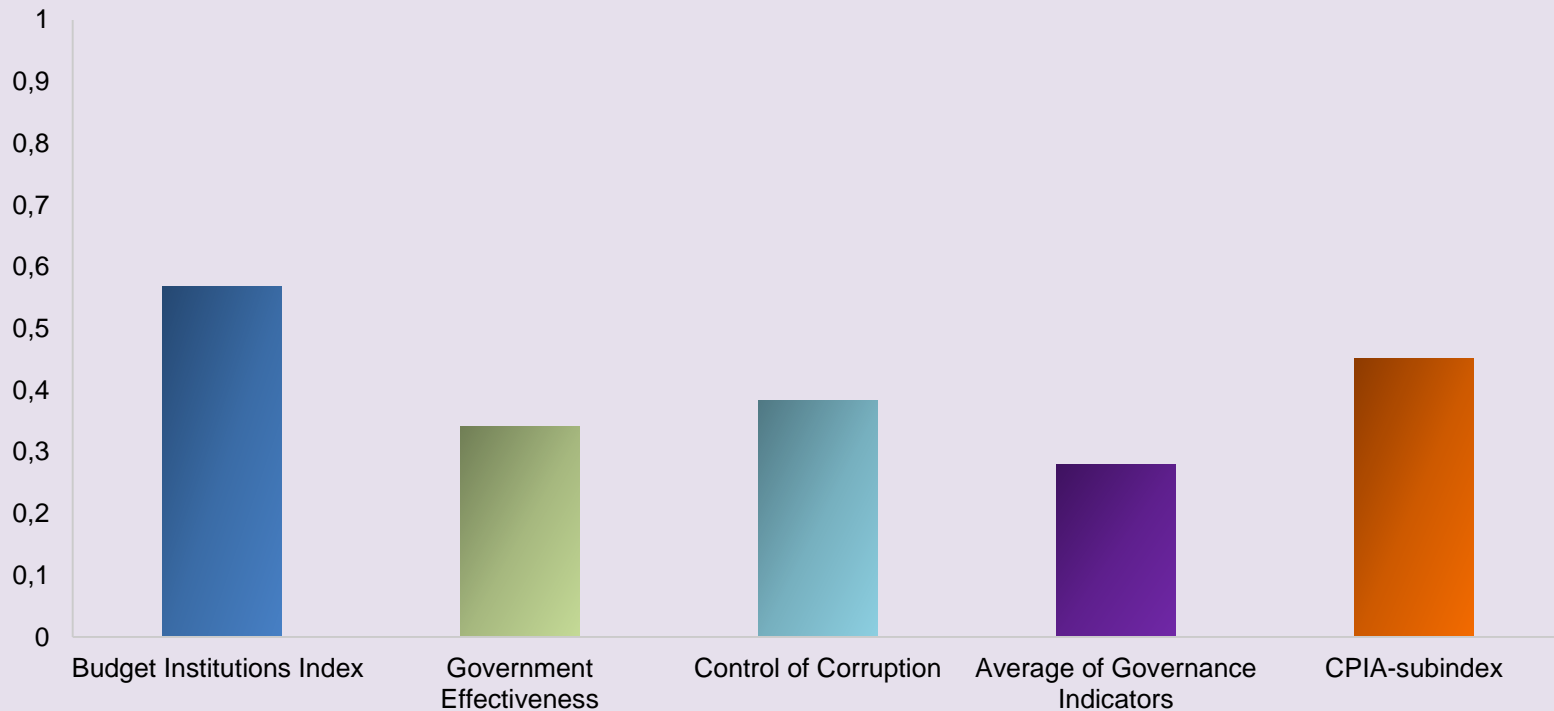
PIMI: Various Sub-Groups



PIMI Index and its Subcomponents: Selected Eastern and Central Asian countries



Correlations between PIMI and other Related Indices



Note: Government Effectiveness, Control of Corruption, and Average of Governance Indicators are the Kaufmann-Kraay

Potential Uses

Policy Analysis

Public investment pressure points: Investigate various dimensions of the investment process.

Prioritizing Reforms: Starting point for further diagnostics and identifying reform priorities.

Monitoring: Evaluating investment performance over time.

Thank you