



Importance of investment planning



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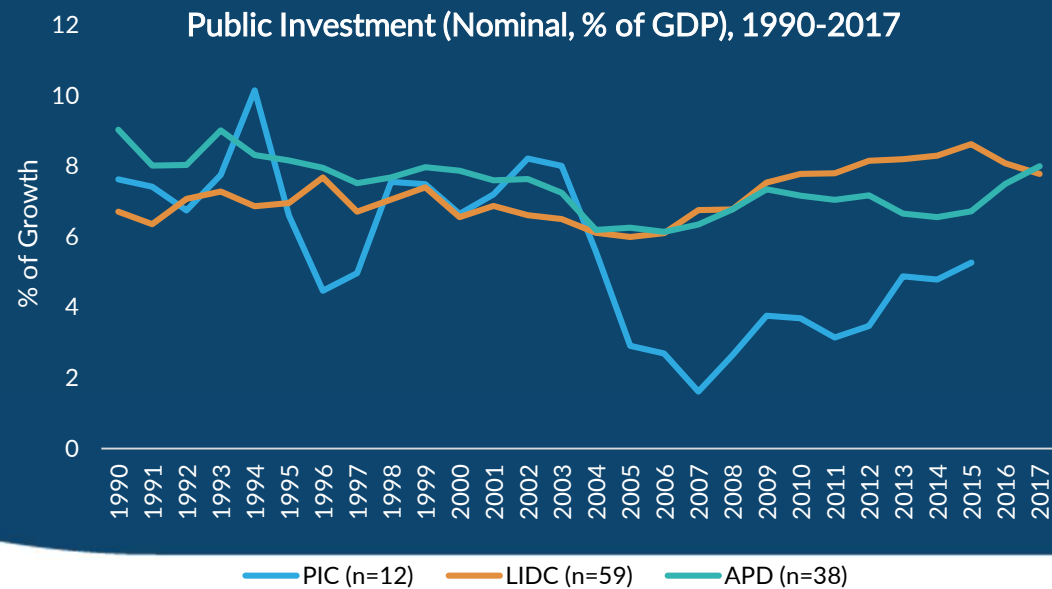


Investment in the Pacific - Overview

□ Public infrastructure - key driver of inclusive economic growth

- Employment creation;
- Strong linkage with other sectors - reduction of inequalities;
- Improved service delivery; and
- Recovery from crises such as COVID-19 pandemic

□ Yet Infrastructure Investment in the Pacific has been uneven;

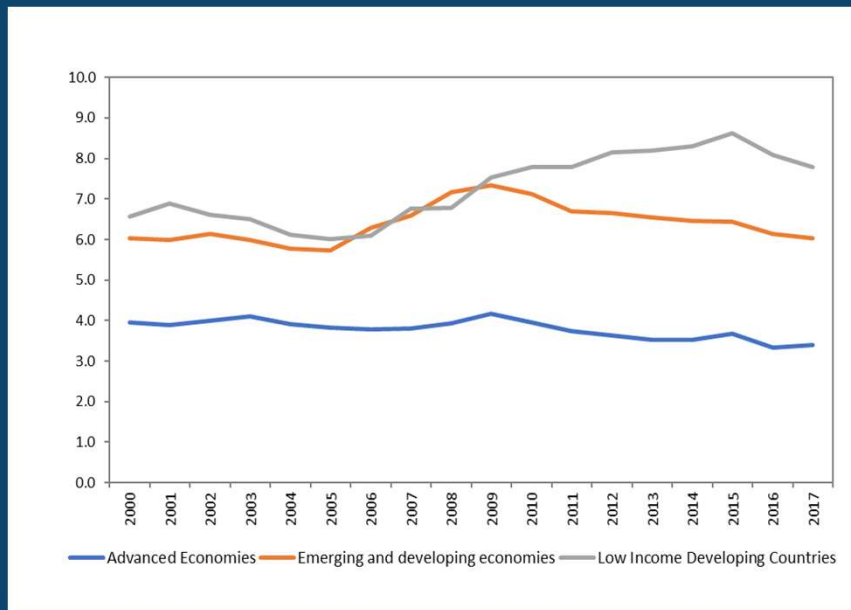


Public investment is an important catalyst for economic growth

Public investment in EMEs and LIDCs is significantly higher than in AEs

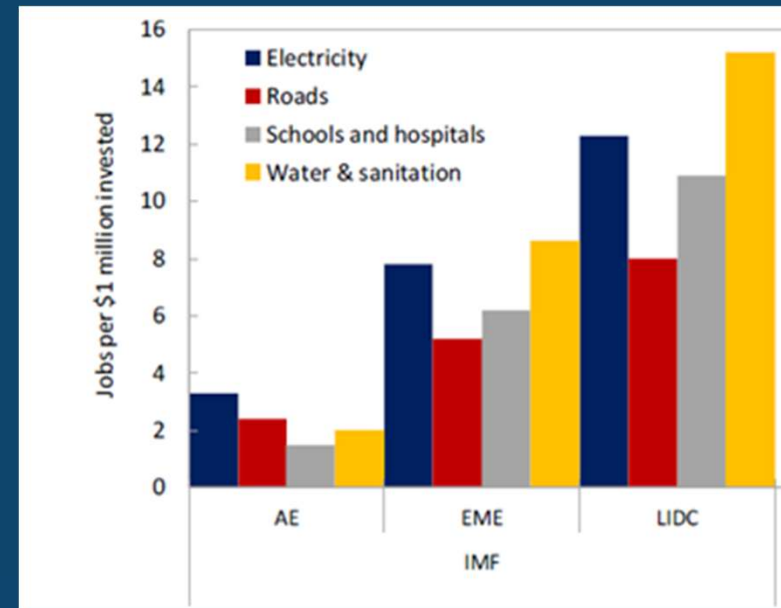
Public investment can generate significant employment

General Government Investment
(Percent of GDP)



Source: IMF Staff estimates.

Job impact of investment
(1999 - 2017)



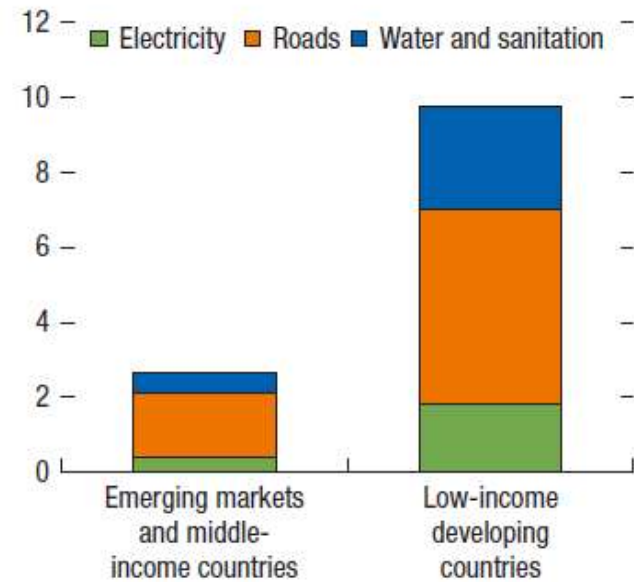
Infrastructure is key to sustainable development and the needs are high

\$100 trillion
global infrastructure
investment by 2040

- Inclusive economic growth and development
- Advance to the next income level
- Achieve SDGs

Source: Global Infrastructure Outlook, 2017

Total Annual Investment Needs
to reach SDGs
(as percentage of average GDP)



Source: Schwartz et. al. 2020 *Well Spent: How Strong Infrastructure Governance Can End Waste in Public Investment*, Chapter 4, pp.56



Heightened Importance of Effective Investment Planning

- ❑ The COVID pandemic has had a significant adverse impact globally – countries desperate to bounce back
- ❑ Countries will emerge from the pandemic with scarce fiscal space, elevated debt levels, and large financing needs, renewing the **need to make every dollar count** in order to ensure the efficiency of investment spending – **yet....**
- ❑ Recent IMF book on infrastructure governance (Schwartz and others 2020) confirms that, on average, countries lose more than one-third of the resources spent on public investment due to inefficiency
- ❑ Need for delivering infrastructure which is resilient and sustainable – “building back better” is a key motto in many countries in the region after experiencing extreme weather-related events
- ❑ Need to ensure public investment contributes to the economy as planned to facilitate recovery



Typical/Common Challenges in Planning

- ❑ **National Dev Plans/National Infrastructure Plans** - All PICs have NDPs/NISP
- ❑ **Public Investment Management Units:** Under-resourced; Weak technical capacity
- ❑ **Investment Appraisal Process:** Weak analytical skills; costings inadequate or non-comprehensive; targeted benefits unclear and qualitative rather than quantitative
- ❑ **Investment Outside Central Government:** Lack oversight by MOF and Planning Ministries; Not incorporated in sector and national plans; Less Transparent; Weak governance
- ❑ **Balancing investment against sustainable levels of borrowing:** Ensuring adequate fiscal space for the life of the project including maintenance & other recurrent costs, as well as building resilience into projects at the planning stage



Challenges in Allocation/Implementation

- ❑ **Do appraisal criteria support effective allocation in the budget?** For rigorous assessment, prioritization and selection of projects –is it always the best projects which enter the pipeline and are incorporated into the budget?
- ❑ **(Multi-year) contracts** can often experience cost overruns which are not adequately explained in budget documents – missed opportunities for lesson learning to better plan for these eventualities
- ❑ **COVID Impact:** Difficult accessing professional/technical expertise for project design and implementation; Delayed Mobilizing contractors, delivery of goods, etc. Revenue shortfalls – impacting domestically funded projects/counterpart funds
- ❑ **Funding Partner Systems versus Government Systems:** Government systems tendency for less rigorous/transparent procurement; weaker project management and ex-post review



How to Note on Post Crisis Recovery

Key Messages

- Countries should consolidate and accelerate existing project-planning and decision-making procedures.
- The public investment plan (PIP) should be revisited, and possible changes made to the prioritization and phasing of projects, accelerating some and deferring or canceling others.
- Project appraisals may need to be updated and supplemented with revised criteria.
- The government should define clear selection criteria based on the targets for the overall recovery program.
- The postcrisis investment program should be reflected in transparent medium-term budget decisions.



FISCAL AFFAIRS

HOW TO

NOTES

How to Manage Public Investment during a
Postcrisis Recovery

NOTE 21/07



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How to Note on Post Crisis Recovery (2)



Key Messages

- Maintenance and capital repairs can be very productive and should play important roles in postcrisis recovery
- Procurement processes may need accelerating but should be undertaken with necessary safeguards to support compliance and effective oversight.
- Strong project management is necessary to ensure that projects are implemented according to the planned timetable and within the budget, as well as to produce the expected benefits.
- Portfolio monitoring is essential for assessing progress and assuring the successful implementation of the overall project portfolio in the postcrisis recovery program.



Conclusion

Any questions?



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Thank You



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