

WELL SPENT

How Strong Infrastructure Governance
Can End Waste in Public Investment

EDITORS

Gerd Schwartz
Manal Fouad
Torben Hansen
Geneviève Verdier



Strong Infrastructure Governance for Strong Recovery

OCTOBER 2, 2020

Geneviève Verdier
International Monetary Fund

Infrastructure is key to economic growth and sustainable development and the needs are high

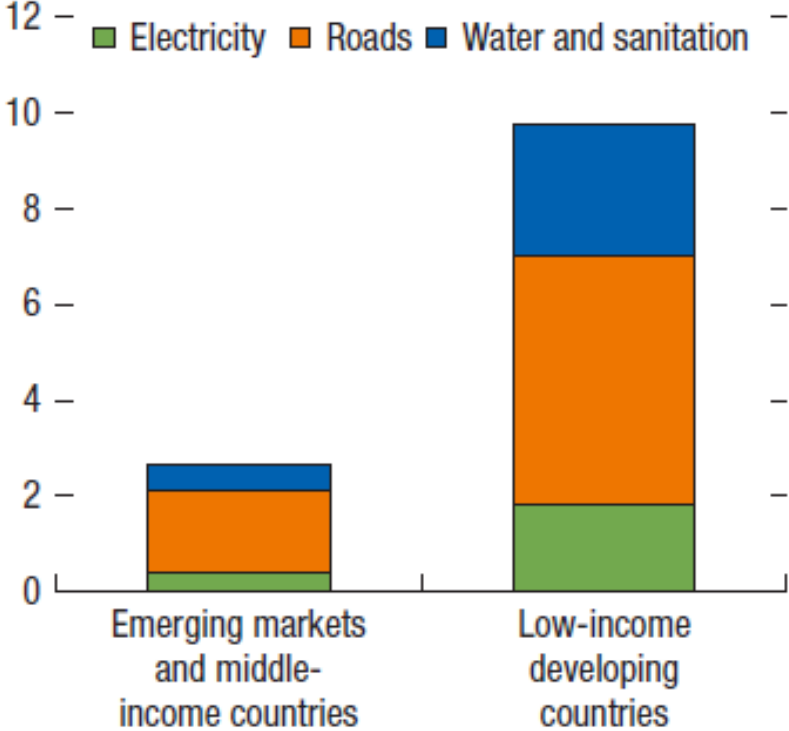
\$100 trillion
global infrastructure investment by 2040

- 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

How can these needs be met?

SPEND MORE

- Revenue
- Borrowing
- Private sector

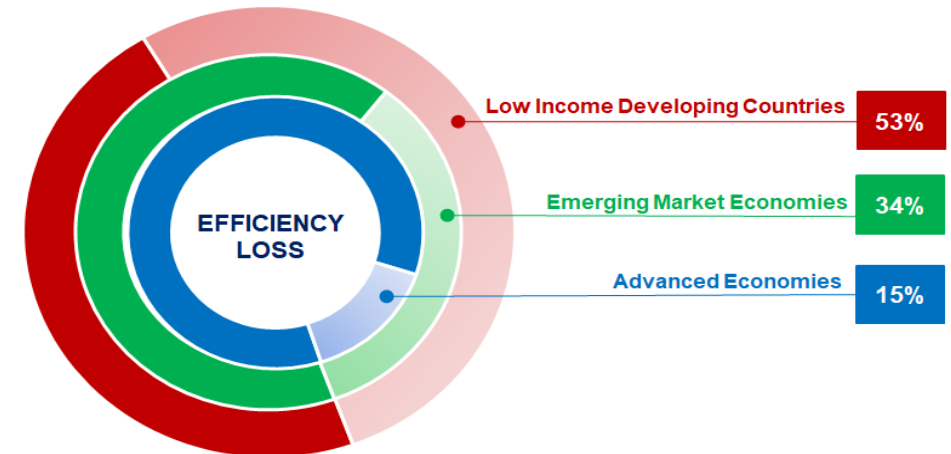
Fiscal space is scarce

Source: IMF 2020

SPEND WELL

Road to nowhere

Countries waste anywhere from 30 up to 50 percent of the money they spend on infrastructure.
(Percentage deviation from full efficiency)



Source: G. Schwartz, M. Fouad, T. Hansen, and G. Verdier, "Well spent, How Strong Infrastructure Governance Can End Waste in Public Investment".

Improve efficiency

Spending more and well requires stronger infrastructure governance

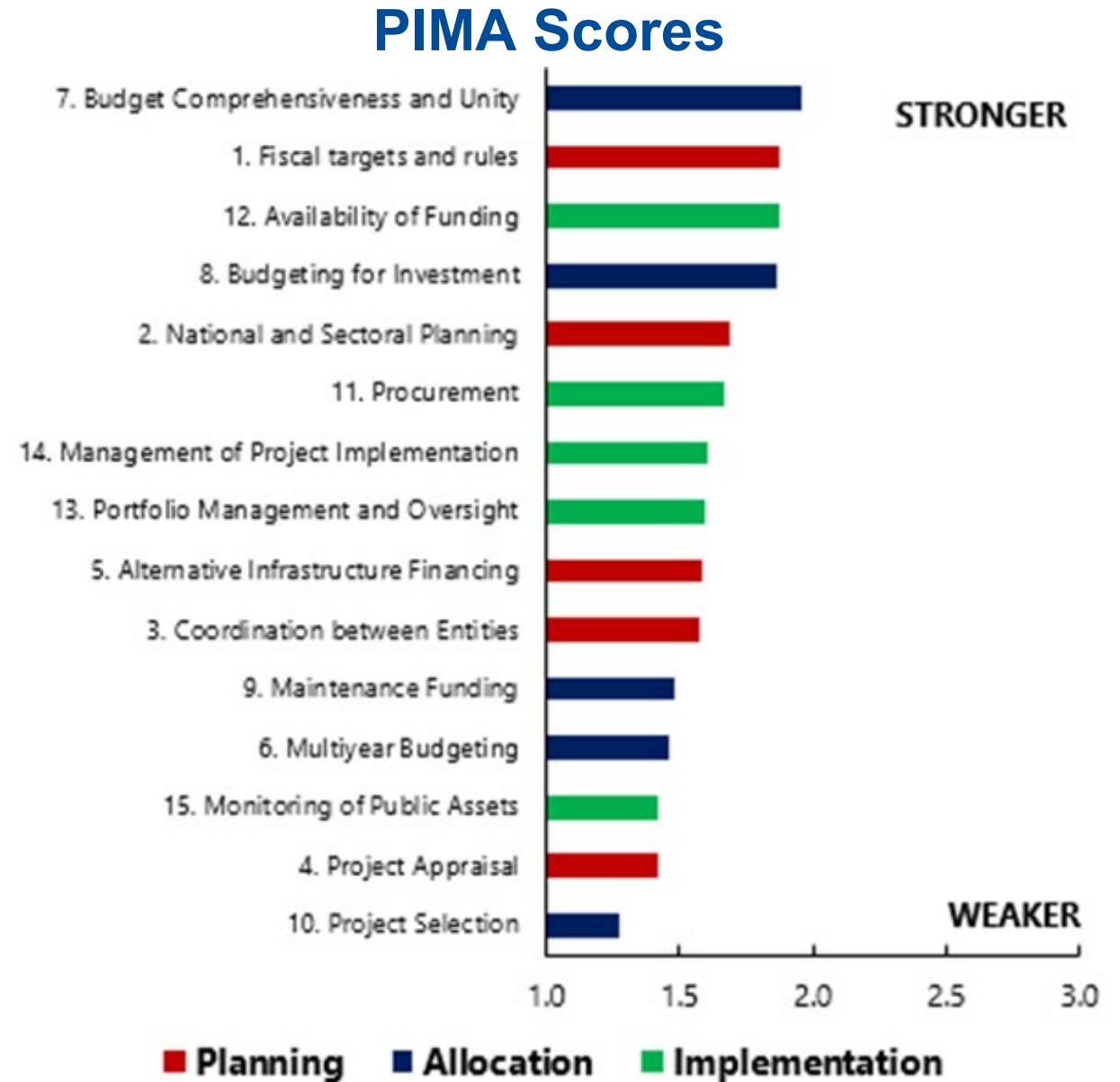


On average, better infrastructure governance could make up more than half of observed efficiency losses

Infrastructure governance: the institutions and practices for planning, allocating and implementing public investment in infrastructure

There is room to strengthen infrastructure governance

- The **Public Investment Management Assessment (PIMA)** is designed to assess infrastructure governance institutions
- The design of PIM institutions is generally **stronger than the implementation** of those systems
- **Low effectiveness of institutions at all stages** of the infrastructure governance: planning, allocation and implementation
- The effectiveness of PIM institutions can be improved across all income groups



Well Spent: How Strong Infrastructure Governance Can End Waste in Public Investment

Gerd Schwartz, Manal Fouad, Torben Steen Hansen, and Geneviève Verdier

Foreword by Aso Taro

Deputy Prime Minister and Minister of Finance, Japan

Foreword by Kristalina Georgieva

IMF Managing Director

PART I: INFRASTRUCTURE, GROWTH, AND DEVELOPMENT

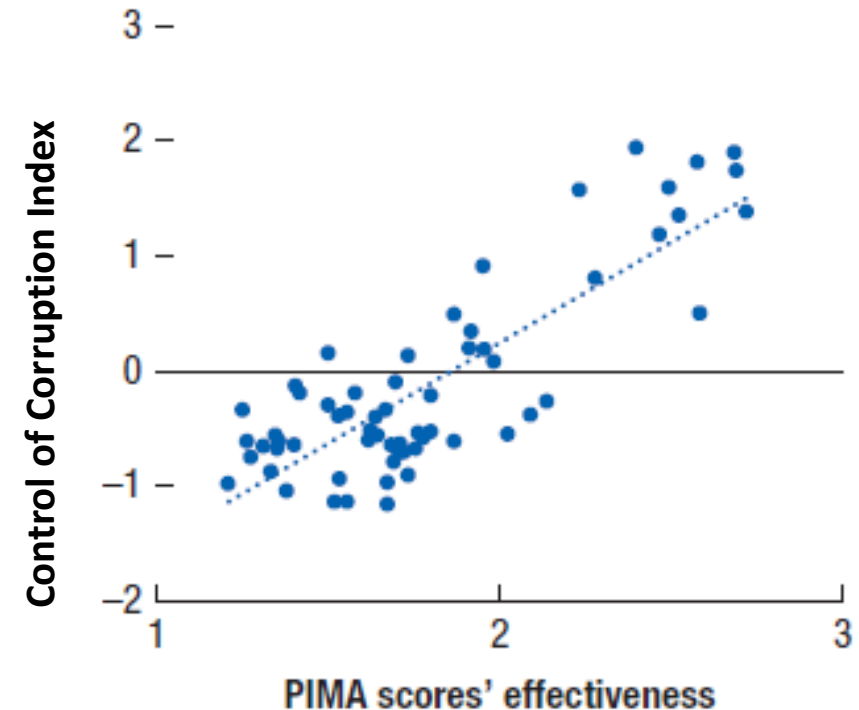
PART II: FISCAL POLICY FOR QUALITY PUBLIC INVESTMENT

PART III: BUILDING STRONG PUBLIC INVESTMENT INSTITUTIONS

Stronger infrastructure governance can help reduce corruption

- The direct costs of corruption include loss of public funds through misallocations or higher expenses and lower quality of infrastructure.
- Corruption can take many forms and can **occur at any phase of the public investment cycle**
- Vulnerability to corruption is accentuated in countries with **weak institutional capacity**

Positive correlation between control of corruption and infrastructure governance



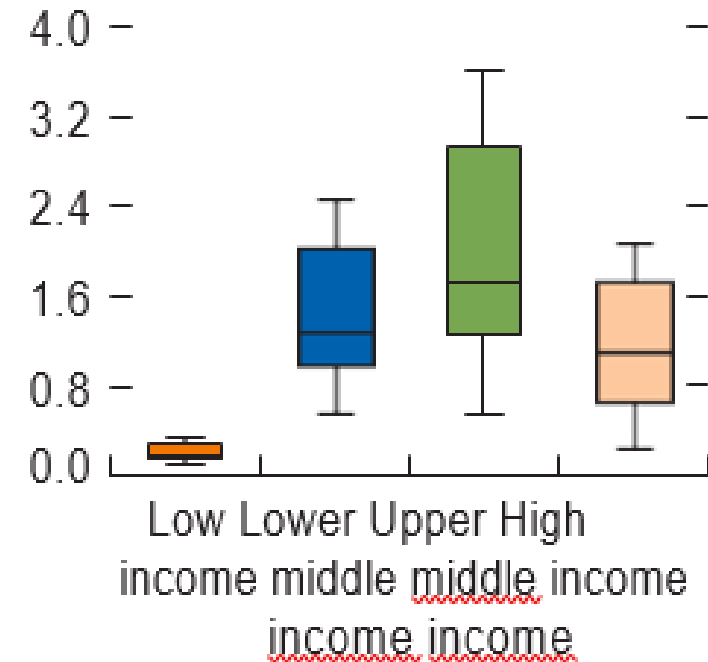
Source: Schwartz et. al. 2020 *Well Spent: How Strong Infrastructure Governance Can End Waste in Public Investment*, Chapter 10, pp.176

Integrating climate adaptation and mitigation into infrastructure governance

Greening the recovery

- **Significant damage and disruption** from climate change to infrastructure, particularly in developing countries, island and tropical states
- **Need a holistic approach** of infrastructure governance taking into considerations of climate change
- **Initially** focusing on integrating climate change considerations **upstream** in infrastructure governance

Expected Annual Damage to Transport Infrastructure from river flooding
(in \$US billions)



Source: Schwartz et. al. 2020 *Well Spent: How Strong Infrastructure Governance Can End Waste in Public Investment*, Chapter 15, pp.283.