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

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

Source: Global Infrastructure Outlook, 2017

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**

**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: IMF 2020
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.

PIMA Scores

There is room to strengthen infrastructure governance.
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

Available at elibrary.imf.org/Well_Spent for free download
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)