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STRENGTHENING INFRASTRUCTURE GOVERNANCE FOR CLIMATE-RESPONSIVE PUBLIC INVESTMENT

December 2021

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EXECUTIVE SUMMARY

Countries have committed, through the Paris Agreement and the Sustainable Development Goals (SDGs), to pursue climate targets and policies that would limit global temperature rise to well below 2 degrees Celsius, compared to pre-industrial levels. A shift toward green public investment will help to mitigate greenhouse gas (GHG) emissions. In addition, substantial public investment will be necessary to build public infrastructure that makes economies more resilient to climate change and related natural disasters.

Climate change mitigation and adaptation challenges thus compound preexisting needs for public investment to foster the economic recovery from the pandemic and to meet the SDGs in a broader range of areas, often in a context of limited fiscal space. Against this backdrop, a priority for all countries is to manage their public investment efficiently and effectively. To help countries improve the institutions and processes for infrastructure governance (the planning, allocation, and implementation of public investment), the IMF developed in 2015 the Public Investment Management Assessment (PIMA), which has already been applied in over 70 countries. However, the current PIMA does not provide a sufficiently tailored assessment of how public investment management can support climate change mitigation and adaptation.

To fill this gap, the present paper introduces a new module to the PIMA, the "Climate-PIMA" (C-PIMA), whose goal is to help governments identify potential improvements in public investment institutions and processes to build low-carbon and climate-resilient infrastructure. The C-PIMA is designed around five pillars of public investment management that are key for climate-smart infrastructure: planning, coordination across government, project appraisal and selection; budgeting and portfolio management, and risk management. The C-PIMA also provides prioritized recommendations to strengthen climate-responsive aspects of infrastructure governance. The C-PIMA has been tested in eleven countries, providing early lessons on its efficacy.

Approved by
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Prepared under the general guidance of Paolo Mauro by a Fiscal Affairs Department (FAD) team comprising Holger van Eden, Nicoletta Feruglio, Manal Fouad, Michelle Stone, Suphachol Suphachalasai, Eivind Tandberg, and Ha Vu, as well as FAD external expert Murray Petrie. Contributions were also received from Richard Allen, Torben Hansen, Rui Monteiro, Carolina Renteria, Isabel Rial, and Tjeerd Tim. Research assistance was provided by Khaled ElTokhy, and production assistance was provided by Sasha Pitrof. The paper has also benefited from comments from World Bank Staff.
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