

## Boosting Investment in People and Infrastructure

April 14, 2019

10:00 a.m. to 11:15 p.m.

HQ1 Atrium, HQ1-1-700

**Moderator:** Gillian Tett, US Managing Editor, Financial Times

### **Panelists:**

**Christine Lagarde**, Managing Director, IMF

**Gloria Alonso**, Director of the National Planning Department, Colombia

**Paschal Donohoe**, Minister of Finance, Ireland

**Nicolas Dujovne**, Minister of the Treasury, Republic of Argentina

**Vera Songwe**, Executive Secretary of the United Nations Economic Commission for Africa

*Investments in physical and social infrastructure are badly needed in both advanced and developing countries, but how do we finance infrastructure while avoiding the perils of a rising public debt burden? The discussion centered around how best to boost infrastructure investment to meet development needs without harming fiscal sustainability.*

### **Key Points:**

- **Challenges of boosting public investment.** *Lagarde* stated that there is a clear shortage of public investment in both advanced and developing economies. *Dujovne* noted that only a small portion of the available finance goes to infrastructure in Argentina. *Alonso* noted that Columbia has done a good job in reducing poverty, but major challenges exist in more efficiently using the budget to improve the quality of public services.
- **Both investments in physical and social infrastructure are critical.** *Lagarde* emphasized that the need for investment is not only in tangible infrastructure but also in intangible infrastructure. *Donohoe* noted that population growth may result in a big gap in infrastructure and Ireland has put together a long-term plan to manage capital expenditure for financing both physical and social infrastructure investments.

- **Mobilizing all available funding sources.** *Lagarde* stressed that to meet the huge gap in infrastructure investment, countries need to mobilize all available funding sources. *Songwe* recalled that the big financing gap to meet the SDGs in Africa cannot be solely filled by international aid. Domestic savings including pension funds have not been adequately mobilized and the tax base can be further strengthened. *Dujovne* noted that the major impediments to financing infrastructure include lack of bankable projects, standardized contracts, good data and capacity in assessing long-term risks.

- **Leveraging private investment.** *Donohoe* noted that governments need to use public investments to provide certainty and confidence to the private sector. Both *Lagarde* and *Alonso* observed that macro-economic stability and the establishment of a favorable business environment are key to attracting private sector investment. *Alonso* noted that Colombia has been working on creating certainty through the use of fiscal rules, regulatory reforms, and long-term budget objectives. *Dujovne* stated that Public-Private Partnerships (PPPs) need to be used wisely, coordinated appropriately, subject to clear standards and cost-benefit assessments, as well as prioritized based on its impact on citizens.

- **Improving the governance of infrastructure investment.** *Lagarde* noted that the Public Investment Management Assessment (PIMA) tool has been used effectively in many countries and that the Fund will continue to support efforts to improve governance. *Alonso* noted that while external audits are important, internal audits are even more important. *Songwe* emphasized that while more standardized processes have been established for the project procurement, internal audits, transparency, and accountability are essential in the execution stage.

#### Quotes:

*"We need to encourage investment with the right focus on the right project properly managed from the market perspective."* **Christine Lagarde**

*"We need to connect our regions, we need to connect our people to the market, and we need to connect the central and regional budgets to make it more efficient for investment."* **Gloria Alonso**

*"Try to deliver policy certainty that goes beyond individual government...that can play a very important role in mobilizing the private sector."* **Paschal Donohoe**

*"The wise use of public-private partnerships is an important tool to help renew our infrastructure and bring down our fiscal deficit."* **Nicolas Dujovne**

*"The good news is we can do better in Africa if we raise tax revenues by increasing the tax base through the use of new technologies."* **Vera Songwe**

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