



Public investment practices in the EU

Path for the Public Finances 2022

Irish Fiscal Advisory Council

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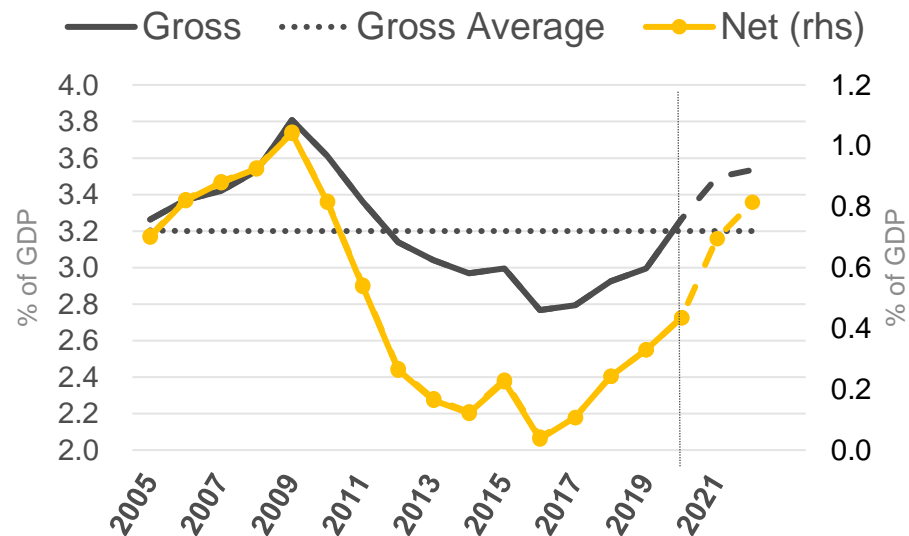
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Outline

- Motivation and context
- Key PIM features in the EU

High investment needs in the EU

Fixed capital formation in the EU

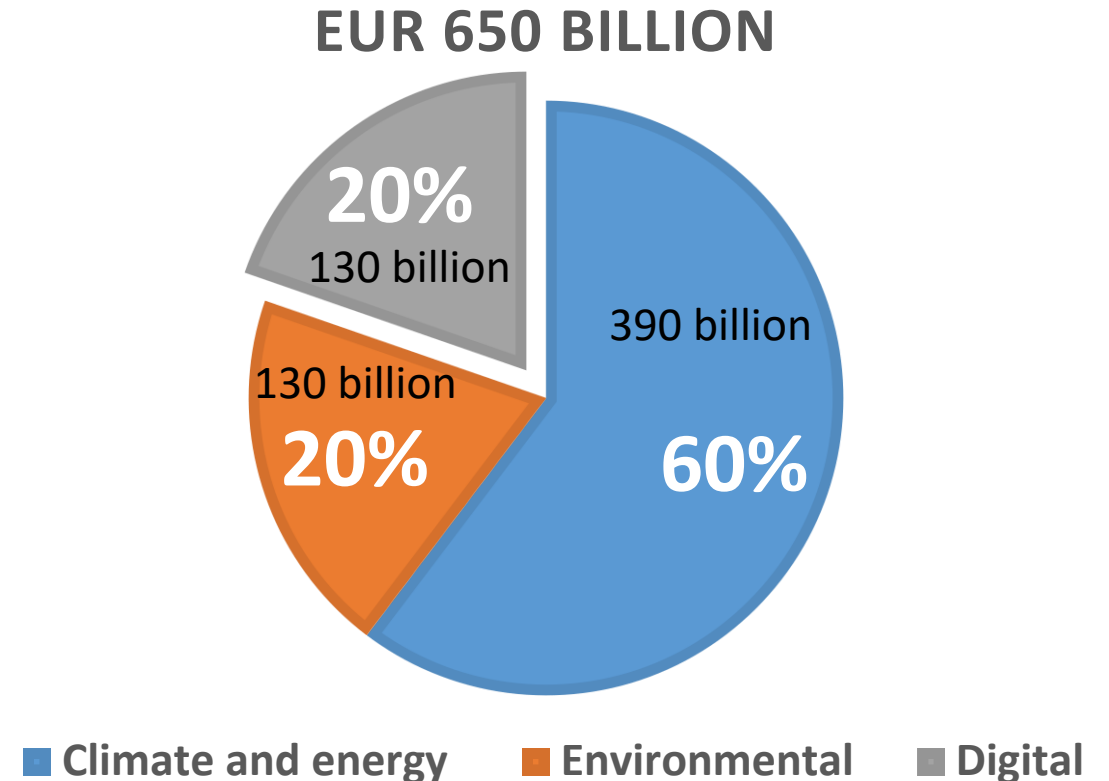


- Recent strong rebound in investment
- Large pent-up demand after a decade of low spending
- Substantial investment needs in relation to the long-term green and digital twin transition

Source: Ameco. Note: Data for 2021 onwards (dashed line) is based on the Autumn 2021 Commission forecast. The average value (dotted line) is computed over 2005-2020.

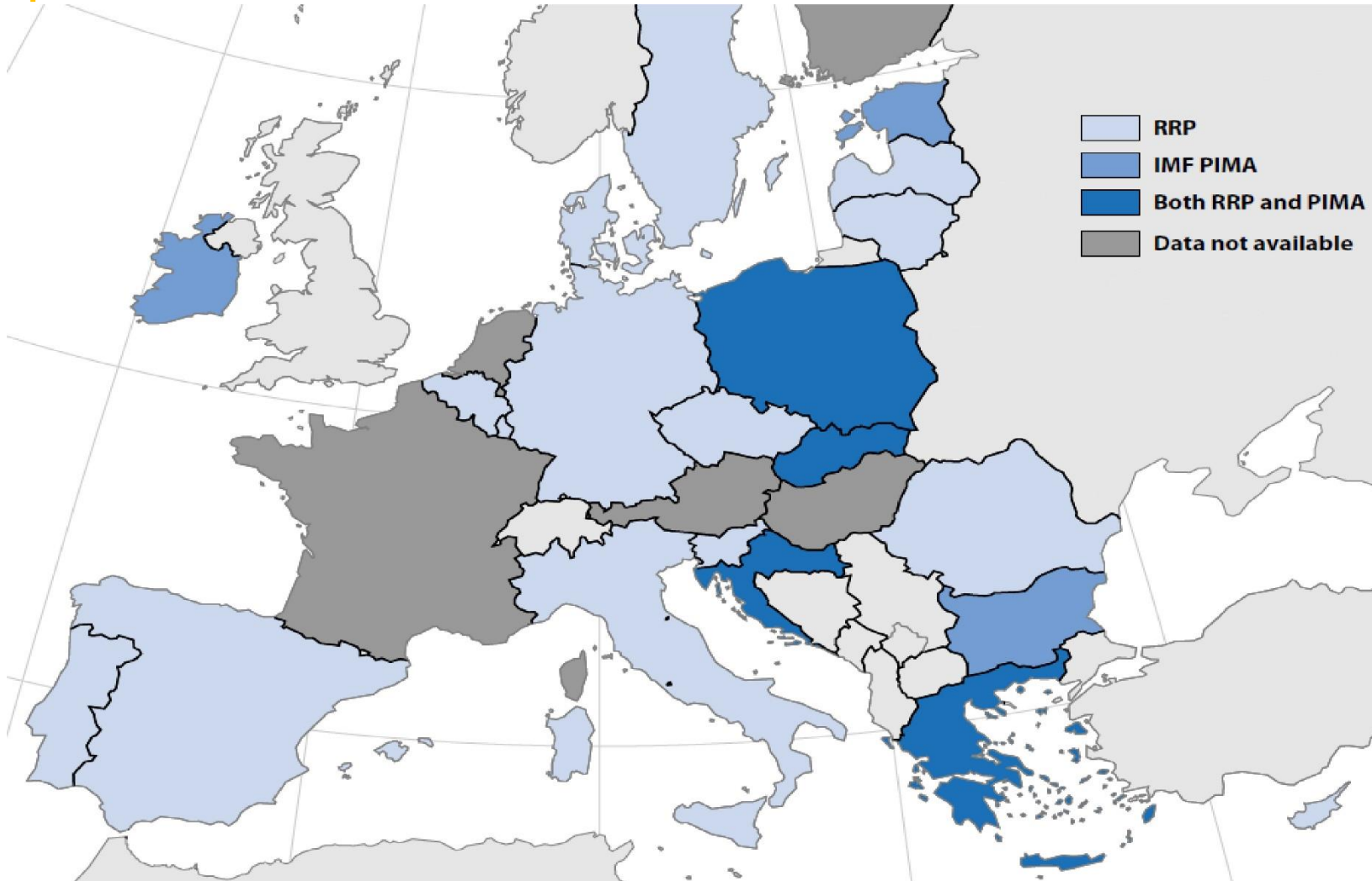
EU committed to the twin green-digital transition

- ❖ **Key European Commission priorities:** European Green Deal and EU digital strategy
- ❖ Requiring an **additional EUR 650 billion** annually up to 2030 in the EU, mostly privately funded
- ❖ **Still, public investment to play a key role**



Source: SWD(2020)98 final

Clear interest in PIM in many Member States



PIM elements in many RRP:

- More extensively in Spain, Croatia, Czechia, and Slovakia

IFIs reviews of PIM:

- Spain

IMF PIMAs:

- Ireland, Estonia, Slovakia, Bulgaria, Croatia, Greece and Poland

Aim and scope of new Commission PIM workstream

- To support the implementation of good PIM practices
- To raise awareness among Member States: peer-review among Member States (2021)
 - ⇒ December 2021 DG ECFIN [Discussion Paper no. 154](#)
- To bring together insights from national PIM experts
- To gather evidence from a survey with all Member States (given only limited information at the EU and country level)
- To engage in dialogue at different EU Committee levels

Outline

- Motivation and context
- **Key PIM features in the EU**

Key features of PIM: strategic planning

- **Planning:** strategic, fiscally realistic, linked to the annual budget, effectively coordinated across gov. layers + consultation with stakeholders
- In practice, though, the link between planning and annual (or multi-annual) budget processes appears rather weak.
- Some known positive examples:
 - Multi-year plan for infrastructure (e.g. Netherlands)
 - National Development Plans (e.g. Ireland)

Key features of PIM: project selection

Project appraisal and selection: a continuous process which could consist of pre-appraisal, appraisal (= feasibility study), independent reviews and project selection (Kim et al., 2020):

- Independent review of appraisals (e.g. France, Ireland, Netherlands)
- Gatekeeping: ensure all (major) projects follow same methodology

Key features of PIM: availability of capital over projects' lifetime

- **Medium-term budgetary framework:** an effective way for linking planning to annual budget and protecting capital over their lifetime, through:
 - Capital expenditure ceilings (e.g. Cyprus, Greece, France, Ireland)
 - Multiannual commitment appropriations (e.g. France)
 - Carry over arrangements (e.g. Ireland, Austria, Estonia)
- However, information is limited to the mentioned Member States
- Overall, the link between MTBFs and annual budgets in the EU is low (Suitability Review of Budgetary Frameworks Directive, Commission 2020)

Key features of PIM: implementation and post implementation

Implementation

- Responsibilities and accountabilities
- Preparation of investment plans (prior to budget approval)
- Standardised rules for project adjustment
- Efficient procurement systems

Post implementation

- Ex-post reviews (e.g. Ireland)
- Asset registers

Information on all these points is scarce for EU Member States (except on procurement)

Limited EU impact on national PIM systems

- EU requirements for public procurement: [Directive 2014/24/EU](#) (as amended by three Commission Delegated Regulations 2015/2170, 2017/2365, 2019/1828)
- Indirectly via transparency requirements for extrabudgetary units and contingent liabilities: Budgetary Frameworks Directive (Directive 2011/85/EU)
- Positive spillovers from the implementation of cohesion policy to domestically financed investments in some Member States
- The implementation of cohesion policy highlighted some factors for improvement, possibly relevant for the wider PIM system: more efficient procurement, better administrative capacity, more prevention of conflicts of interest and fraud and stronger stakeholder consultation

Concluding remarks

- The **quality of public investment management** is a key policy concern
- Clear **interest in PIM** in many Member States, while PIM reforms take time
- Important **data gaps** across and within EU Member States
- Commission effort **to fill some data gaps** with respect to key issues
- **Technical support** for PIM reforms available from the Commission

Thank you



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