Road Maintenance and Decentralisation: The case of PNG

Matthew Dornan, Development Policy Centre, The Australian National University
Ronald Sofe and Carmen Voigt-Graf, National Research Institute
Rohan Fox, University of PNG and ANU

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Road Management Reform: The Papua New Guinea Road Fund and National Roads Authority

Abstract

Road management and funding in Papua New Guinea has been deficient for many years, resulting in the deterioration of the road network. The Government of Papua New Guinea, with the support of development partners, has sought since 2001 to professionalize road management in order to address the problem through the development of a Road Fund and National Roads Authority. This paper examines the establishment of these organizations and their impact on road maintenance. It finds that reforms aimed at professionalizing road management have been undermined by a lack of support from political leaders and parts of the civil service, and that the newly established road management organizations remain marginal as a result. A number of policy lessons are discussed.

I. Introduction

The poor state and limited reach of the road network is one of the greatest barriers to economic development faced by Papua New Guinea (PNG). Limited access to transportation prevents access to markets, and to health and education services. An analysis of household income and expenditure data shows that the inability to access roads is positively correlated with higher incidence of poverty (Gibson & Rosala 2002). In the Doing Business Survey, Papua New Guineans identified the area of transport infrastructure as the third most significant constraint to business activity and investment, marginally lower than law and order issues and corruption (Asian Development Bank 2014).

The primary reason for the poor state of PNG’s road system is deficient road management and funding. Funding for road maintenance in PNG more than halved in the 20-year period after independence due to the decisions of political leaders with the result being the deterioration of the road network (Kaew et al. 2009). Per capita infrastructure spending by government fell in real terms (2011 prices) from approximately $230 in 1975 to $20 in 2001. The effect of this dramatic fall in funding was that links to rural communities were cut, adversely impacting livelihoods, education, and healthcare provision.

This data was collected as part of the 1995-1996 PNG Household Survey. Similar analysis of subsequent household income and expenditure surveys was not possible due to...
“Papua New Guinea’s transport networks are failing. Major roads, including the crucially important Highlands Highway, have deteriorated alarmingly, raising the costs and reducing the availability of transport services. Most of the feeder roads are frequently impassable. Communities... are becoming more isolated because of deteriorating physical infrastructure. The dilapidated state of infrastructure is largely the result of inadequate maintenance and poor management over a long period... Almost half of national roads and two thirds of provincial roads need rehabilitation or reconstruction before they can be properly maintained.”

- PNG Government, 2013 Budget (vol 1)
Decentralisation

- 1977 Organic Law on Provincial Government
- 1995 Organic Law on Provincial and Local Level Government
- 2005 NEFC’s Cost of Services study – RIGFA established as a result
- 2012 Alotau Accord announces establishment of district development authorities
Spending performance on infrastructure maintenance

Source: NEFC, Provincial Expenditure Review 2012
Impact of Service Improvement Programs

Capital vs Operational Appropriations

Example: Gulf Province Funding

- Provincial govt revenue
- Function grants (recurrent expenditure)
- DSIP
- LLGSIP
- PSIP
Lack of ownership/accountability

“MPs are passing the buck to one another.”

— Provincial Administrator

“In Waigani, they think that cooperation is the norm. This is not happening in the province.”

“The provincial government plan says one plan, one budget, one account – all through coordination. But we currently have 3 plans, 3 budgets, and if you include the local level governments, 13 budgets, and 13 accounts.”

— Deputy Provincial Administrator
Funding

• Capital / recurrent expenditure not determined on the basis of need
• No coordination between level of capital and recurrent expenditure
Quality of spending

Quality of DSIP/PSIP spend variable

“In my opinion, DSIP/PSIP is a waste of money”

— Provincial Administrator

“PSIP is not really helping us fund according to our plan. It is very hard to measure, or to justify, that (PSIP) expenditure against the plan the province has.”

— Provincial Engineer
Conclusions
Issues

• Capital vs recurrent
• Funding not based on technical/economic assessment – political
• No ownership/accountability
• Lack of coordination
Ingredients of maintenance

Incentives

Financial Resources

Organisational Capabilities
Government expenditure on infrastructure, per capita (2011 Kina)

Source: Compiled from analysis by Batten (2009) and Swan and Mako (2014).
“... O&M expenditures have a low priority in government budgets as they are less appealing and visible than new investment projects... Moreover, donors have facilitated ... investment projects while providing little support for recurrent costs ...”

— International Monetary Fund (1991)
PNG Government funding for maintenance and rehabilitation of national roads

- Funding required to address backlog and meet MTDP targets
- Total funding available, DoW budget allocations and NRA committed funding
PNG’s National Road Network

Source: Department of Works (2014)
For details of references in this powerpoint, please see:


Available at: [www.nri.org.pg](http://www.nri.org.pg)
The Infrastructure Development Authority

The extent of an IDA’s role can vary:

Narrow and limited role

IDA with a limited role:
• cost-benefit analysis / business case
• planning and financial expertise to mobilise investment

E.g. Infrastructure Australia (for now...)

Broad and ambitious role

IDA with a broad role:
• cost-benefit analysis / business case
• planning and financial expertise to mobilise investment
• project design and selection
• procurement and implementation
• management and maintenance

E.g. Proposed PNG IDA; Infrastructure NSW
National road maintenance and rehabilitation funding: Budget forward estimates

Funding included in the 2014 budget forward estimates which was cut in the 2015 budget.
There is both an economic and financial case for routine maintenance.
Quotes

• “We’ve tried to make a multi-year approach in spending DSIP/PSIP funds on roads, but politicians prevent this from happening. So instead, we make the most of the function grants – but there is not much there.” – Deputy PA

• “Vision 2020 (the Gulf provincial government plan) says one plan, one budget, one account – all through coordination. But we currently have 3 plans, 3 budgets, and if you include the local level governments, 13 budgets, and 13 accounts.”
• “We would like to work hand-in-hand, but the politicians undermine these efforts.”
• “In Waigani, they think that cooperation is the norm. This is not happening in the province.”
• “PSIP is not really helping us fund according to our plan. It is very hard to measure, or to justify, that (PSIP) expenditure against the plan the province has.” - Engineer