

Public Sector Asset Management in the Pacific Islands - Regional Overview

Siosuia Utoikamanu

Consultant

Some Characteristics of PICs

- **Geographic**
- **Demographic**
- **Dispersion of Population and Territories**
- **Ethnic Diversity and Land Rights**
- **Vulnerability to Natural Disaster and Climate Change**
- **Public Sector**
- **Aid**
- **Economic Growth**

Economic Infrastructure - Conditions and Performance

- **Telecommunications**
- **Water and Sanitation**
- **Power**
- **Roads**
- **Ports**
- **Shipping**
- **Airports**

Some Key Infrastructure Issues

- Low levels of access to infrastructure in rural areas due to high costs**
- Low priority to rural infrastructure**
- Inefficient subsidy arrangements**
- Granting of monopolies to selected service providers**
- Lack of legal support for alternative modes of service provision**
- Inefficient infrastructure service provision associated with low labor productivity**
- Inappropriate infrastructure pricing, associated with inefficient operations**
- Low labour productivity in the water and electricity sectors compared to most comparator countries**

General Overview of Public Sector Asset Management

- **Evolution of Asset Management**
 - Initiated in UK, Australia and NZ
 - High levels of taxation, recurring fiscal deficits, failure of government policies, ineffective administrative machinery and large and intrusive public sectors
 - Strategic planning, prioritization, and value-for-money thinking
 - Accounting reforms including the transition from cash accounting to accrual accounting
- **Public Sector Reform in the Pacific Islands Countries**
 - Public Sector Reforms 1990s and 2000s
 - Move away from traditional public administration
 - Introduction of formal contracts, performance agreements, service delivery targets

Public Sector Asset Management Assessment

- **The quality of public sector asset management**
- **Application of modern methods of asset management is most closely associated with sectors where private sector manages economic infrastructure provision, such as telecommunications and electricity**
- **Government departments lag behind such as in roads maintenance and provision of potable water**

Public Sector Asset Management Assessment

Some Reasons for low quality of asset management

- **Political Capacity and Leadership**
 - **Lack of leadership with lack of awareness of importance of asset management and maintenance by policymakers**
 - **Weak institutions, such as poor scrutiny of budgets and audit reports**
 - **Elections cycles are short compared to maintenance phases**
 - **Aid enables policymakers to avoid making policy choices which might be politically unpopular, such as constraining the growth of public sector wages and salaries and focus on new investments**
 - **Aid is perceived as an opportunity for obtaining resources to be utilized without consideration for their long term impacts and sustainability**

Public Sector Asset Management Assessment

- **Government Recurrent Budget Constraints**
 - Inadequate funds due to poor fiscal management with funding mostly for routine maintenance
 - Lower income Pacific countries need to allocate 6.9 percent of GDP for maintenance with middle income countries allocating 5.1 percent
 - Wages and salaries of the public service average 17 percent of GDP
 - Weak public financial management processes with little emphasis on future infrastructure needs due to changing demographics
 - Few PIC set aside allocations for asset replacement
 - Dual budget systems lead to poor coordination of capital expenditure and recurrent costs

Public Sector Asset Management Assessment

- **Pricing Policies**
 - Regulation of user charges not optimal
 - Political considerations often drives pricing policies
- **Public Sector Capacity for Planning of Asset Management and Maintenance**
 - Limited technical capacity and human resources
 - Poor forward planning and poor data management
 - Weak internal systems and processes, including procurement and financial systems
 - Lack of accountability
 - Unclear roles and responsibilities related to infrastructure assets
 - Poorly designed reforms

General Approaches to Improve Public Sector Asset Management

Prerequisites

- **Political Stability and Capacity**
- **Technical and Public Administration Capacity**

Options to Improve Public Sector Asset Management

- **Addressing Resource Constraints**
- **Establishing Accountability and Appropriate Incentives**
- **Building Organizational Capacity for Asset Management Planning and Implementation**
- **Development Assistance**

General Approaches to Improve Public Sector Asset Management

Some Good Practices

- **Find a champion/leader**
- **Changing organization culture**
- **Improve coordination across whole-of-government**
- **Make processes user-friendly**
- **Maintain up-to-date asset information**
- **Make Performance Management Real**
- **Use Asset Management to drive Budget Choices**
- **Manage Risk in a Consistent Manner**
- **Manage demand**

Conclusion

Asset management in the PIC is a continuing challenge due to:

- **Geography, population, climate change, vulnerability to natural disasters**
- **Political institutions**
- **Public sector technical and administration capacity constraints**

To address the constraints it is necessary to start by getting the fundamentals right

- **Strengthen political institutions and staff technical and public administration capacity**
- **Address funding issues**
- **Build the right incentives structure**
- **Engage the donors more proactively**