Public Sector Asset Management in the Pacific Islands - Regional Overview

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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