

Infrastructure Maintenance: Issues and Challenges



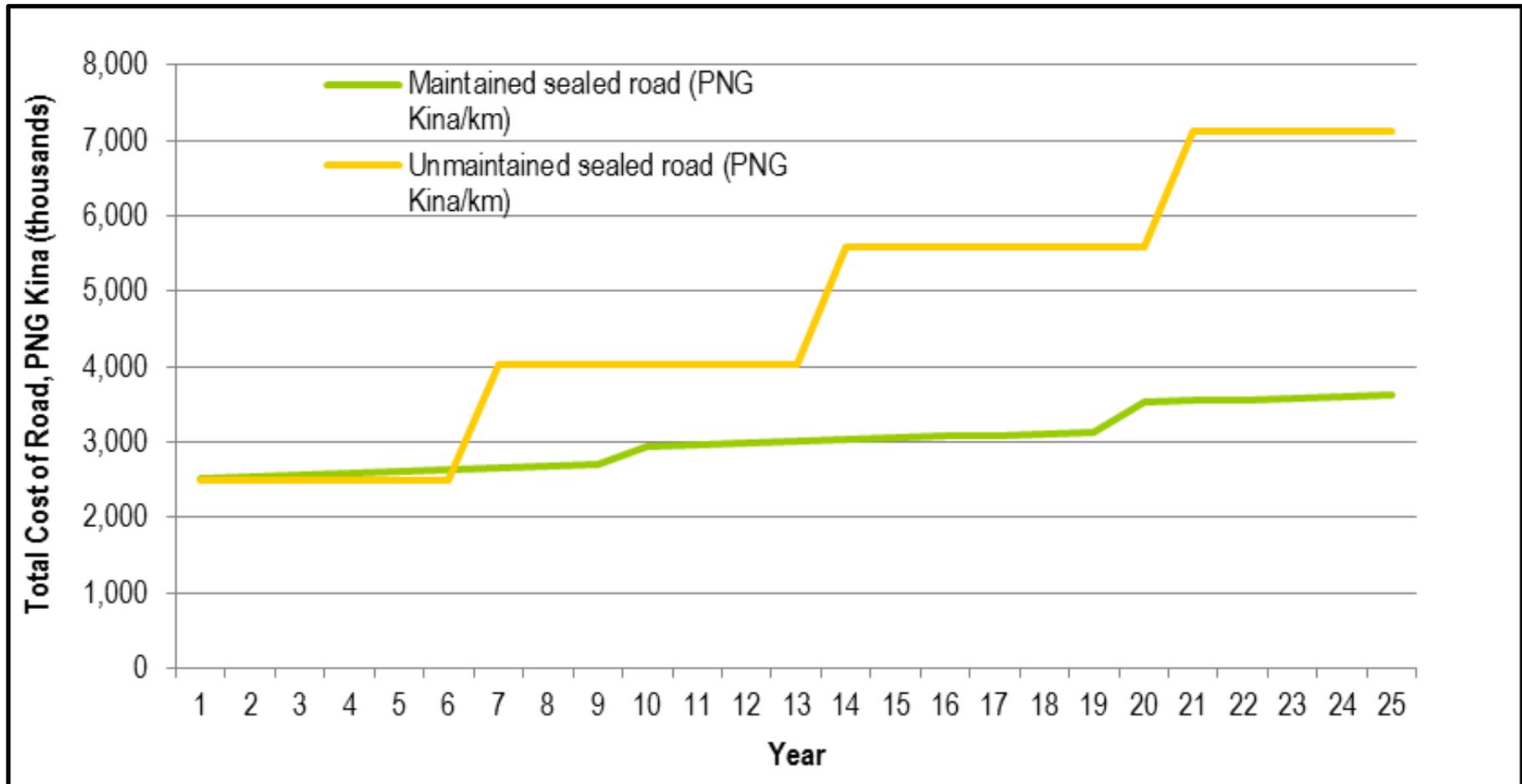
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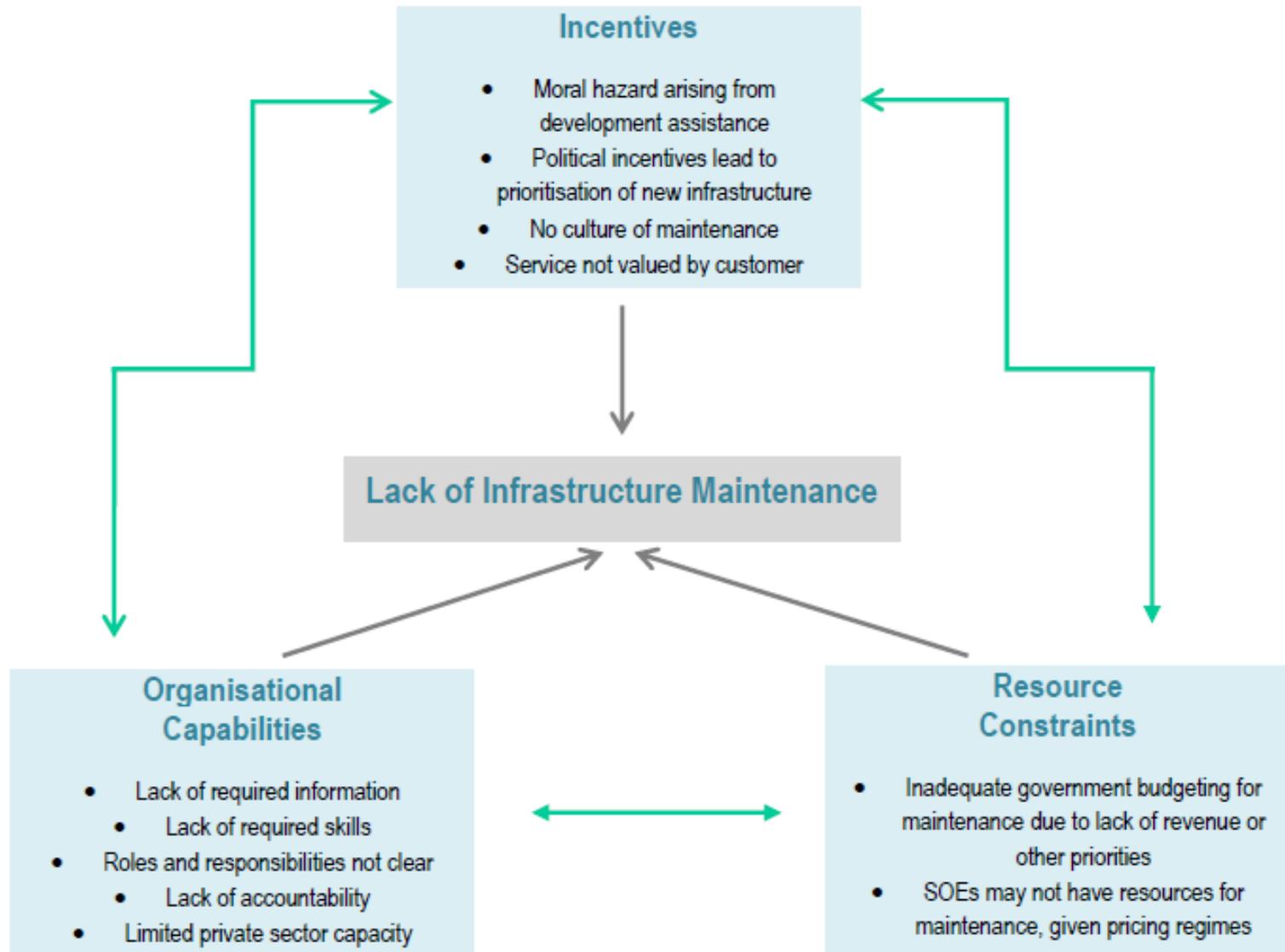
“Papua New Guinea’s transport networks are failing. Major roads, including the crucially important Highlands Highway, have deteriorated alarmingly, raising the costs and reducing the availability of transport services ... In all transport subsectors, the dilapidated state of infrastructure is largely the result of inadequate maintenance and poor management over a long period.”

- PNG Government, 2013 Budget (vol 1)

There is both an economic and financial case for routine maintenance



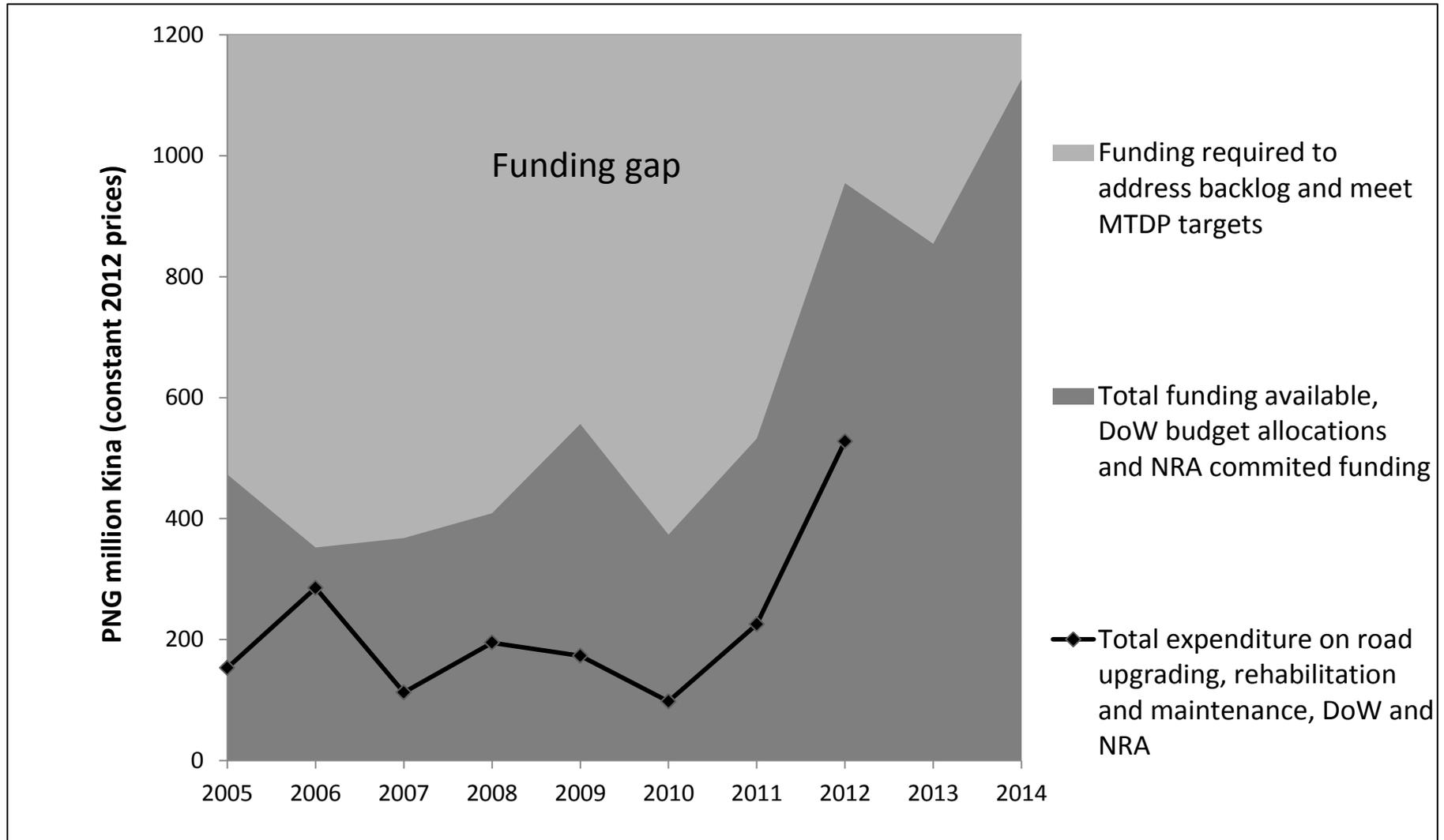
Reasons for poor maintenance are complex



“... 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 ...”

– IMF, 1991

Budget for maintenance of national roads



Road funds: A way to address the budget 'problem'

Common objectives of 'second generation' road funds:

1. Establish a regular funding source for road maintenance
2. Road user input into maintenance activities:
 - Proxy for a user pays system
 - Oversight by road users (independent board to provide protection against misdirection of maintenance funding)
3. More efficient management:
 - Operate outside of the 'public service box'

Impact of road funds

An Independent Evaluation Group (2011) assessment of road funds found that:

“In practically all countries for which measures are available, there has been a significant increase in the percentage of roads in good condition”, but that “no road fund managed to cover all the maintenance funding needs”.

But in PNG, the National Road Authority has not been provided with an adequate source of revenue, limiting its effectiveness.

The Infrastructure Development Authority

The (now defunct) 2011 Organic Law on Sovereign Wealth Fund required the creation of an ***Infrastructure Development Authority*** which would access the Development Fund established by the Organic Law.

The Alotau Accord stipulates under Statement No. 43 as follows:-

“Establish an ***Infrastructure Development Authority***. The Authority will take charge of overseeing major transport and public infrastructure projects for the next 5 years. The Authority will mobilise and negotiate financial resources and technical expertise.”

The Infrastructure Development Authority

The extent of an IDA's role can vary:

Narrow and limited role

Broad and ambitious role

IDA with a limited role:

- cost-benefit analysis / business case
- planning and financial expertise to mobilise investment

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

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

- Where will IDA funding come from, given that the Development Fund is no longer to be established?
- To what extent will the PNG IDA fund maintenance?
 - Is Infrastructure NSW an appropriate model for PNG in this area?
- To what extent will the PNG IDA operate outside the ‘public service box’?

Thank you



The PRIF report is available in both full and summary versions at:
www.theprif.org/key-documents

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