



ment

Disinvestment in infrastructure

- For every 10km of new roads built in developing countries, an average of 30km of roads will become impassable;
- It has been estimated that for every \$1 of under-expenditure on maintenance, road users incur over \$3 in additional vehicle operating costs (wear and tear etc).
- There is an imbalance between investment in new / upgrading / rehabilitation and in maintenance



Impact of unreliable and deteriorating infrastructure

■ Some results:

- ◆ Suppression of potential economic growth and poverty reduction;
 - Through reduced access to markets and services;
- ◆ Increased costs of basic service delivery
 - low social indicators (infant mortality, literacy) relative to income
- ◆ Reduced effectiveness of the state –
 - undermining state accountability, credibility and ... stability,







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Bougainville: a post-conflict approach

- A focus on the **CORE (affordable)** network, not all roads
- **RELIABILITY:** AusAID rehabilitated and *continues* to maintain the coastal trunk road;
 - ◆ People are now investing in their own future and assuming the road will be there linking them to markets and services;
- **Appropriate (affordable) standard.**
 - ◆ Small scale local contracting helps build private sector and spread economic benefits. It is cost effective for the type and scale of work.
- improve **budgeting allocation and management:**
 - ◆ in the interim, help manage the works:

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Improving infrastructure requires

- Improvements in **policy / budgets / financial management** to allocate resources
- A focus on an **affordable core network** – and ensuring its long-term **reliability**.
- Affordable standards – don't over-engineer (because aid funds are a 'free good')
- Strengthen the **institutions** of government to fund and manage maintenance
 - ◆ (Finance systems, Department of Works, sub-national functions of government etc);
- Support improvements in performance and **accountability** for outcomes



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Positioning aid around infrastructure

- Investment in traditional 'ring fenced' infrastructure construction projects may not make economic and development sense;
 - ◆ Is an overly narrow *construction* approach 'getting in the way' of development?
- Challenge of providing support to strengthen government capacity:
 - ◆ Balance the *doing* with building capacity:
 - ★ Not a great track record: need to learn from past experience including working with and strengthening what is there
 - ★ Manage the balance between the 'doing' and the strengthening.



Building capacity: “High risk” or higher returns?

- Work with and use what is there:
 - ◆ Working with weaker systems - might mean that programs might not be able to ‘do things’ as fast
 - ◆ Risk of corruption, take longer
- Good local systems = sustainability
 - ◆ Lessons are
 - ★ Use and build on government systems.
 - ★ Use and build the capacity and accountability of departments, district engineers etc,
 - ★ improve contract management, reward performance and outcomes,

Development takes time

- **Governance improvements take more than five years.....**have sensible intermediate targets
 - ◆ Develop and maintain longer term institutional partnerships
- If the ideal program is not affordable, then focus on a well managed and reliable **core network**.
- **Engagement:** Support key decision-makers with simple and transparent information to support decision-making.
 - ◆ Support sectoral engagement with Treasury and central agencies:
 - ◆ improve policy-makers understanding of the concrete linkage between infrastructure and growth;
 - ◆ Sophisticated computer based asset management systems are good for planning and budgeting, but are only part of the picture. 'black box' systems with high data requirements are often not accurate and rarely 'convincing' to politicians and decision-makers
- **Accountability:** Improve the confidence of the central agencies in the Department's performance and ability to use budgets effectively ...(build capacity)



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