

“Managing Assets to keep Body and Spirit Strong”

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Introduction

Some capital investments result in the improved well-being of a nation's peoples. Some result in both the body and the spirit, individually and collectively, being weakened. The absence of capital investments, individually and collectively, results in either richness or poverty. Examples abound in Australia and in other countries in the Asia / Pacific region where capital investments in public assets have both undermined development and been instrumental in measurable and popularly acclaimed development.

The poor results are not intentional, although the problems of non-systemic management of public sector assets have been identified and discussed for at least half a century. A perusal of ancient Roman and Chinese literature will probably reveal similar problems in each civilisation. In 1999 AusAID drew attention to asset maintenance and the impact of under-financing of recurrent costs on the services available to developing country peoples using donor funded assets (AusAID 1999). At the turn of the century many agencies were identifying ways to strategically manage road stock, for example in 2001, the OECD's expert group on asset management published its report on Asset Management for the Road Sector (See: <http://www.internationaltransportforum.org/Pub/pdf/01AssetE.pdf>) and in 2002 the Worldbank held a seminar on road asset management (See: <http://www.worldbank.org/transport/training/birmingham-un/Week3/Week3-Day1.pdf>).

Prior to that, in the 1980s, New Zealand began to implement financial management reforms partly to make transparent the cost of decisions to defer maintenance of the public sector asset stock. By identifying and then finding the depreciation of each agency's asset stock, the New Zealand Treasury was able to estimate the costs to be incurred if the value of the stock was to be maintained. By separating decisions affecting the cost of ownership of assets and their operation, the Treasury ensured that decisions to increase or decrease the size of public sector entities were transparent and not made by default. At the same time, New Zealand passed its Resources Management Act to ensure that its natural estate, and not only its built asset stock, was maintained.

Governments' Treasuries give high priority to their financial assets as they fund annual expenditure, permanent expenditure (Pensions, judges salaries etc) and the scheduled annual capital expenditure. The IMF and Banks, including multilateral institutions track cash flows. Public sector unions, suppliers, analysts, the media as well as beneficiaries have a stake in a nation's financial assets. The credit ratings of nations set the upper limit to rates available to their private sector borrowers. Sovereign Wealth Funds may be used to protect a developing nation from high fiscal volatility (IMF Working Paper 07/297) though success of this strategy is not guaranteed. One example is Kiribati's ONE UN Fund to help the nation meet the significant challenges of providing basic infrastructure and services to its dispersed

and vulnerable population (<http://mdtf.undp.org/factsheet/fund/KI100>).

Nations make large investments in infrastructure and other public assets. They often ignore the value of the natural assets that they hold, e.g. fish stocks, forests except when they are offered current cash flow against the depleted future stock. With abundant current stocks, the value of the overall stock is frequently underestimated.

This paper argues that publicly controlled assets contribute to the well-being of a nation's people to a greater extent than national income. It is the stock of public assets that generates future income and services and, by definition, is a nation's wealth.

In 2003 the OECD's paper "Asset Building and the Escape from Poverty: A New Welfare Policy Debate" proposed creating wealth for households through asset building strategies, including micro financing. It argued that the poor have a higher savings to income ratio than do the rich, and hence deserve to have their asset building supported by policies and institutions.

This paper argues that household poverty can be alleviated much more efficiently through the building of systems the use well maintained public sector assets than by the creation of income streams. For example, the Solomon Islands is facing both the depletion of its export quality timber stock and the income stream that fuelled its economic growth in the last decade (Solomon Islands 2007: para 126) (Duncan: 2008:10). Population increases reduce per capital income and put pressure on natural assets. Attempts to increase income flows at the expense of the asset stock, natural or built, are short-sighted and perverse. The World Commission on Environment and Development's (the Brundtland Commission), in 1987, defined sustainability as development "that meets the needs of the present generation without compromising the ability of future generations to meet their own needs".

These ideas are not new and have generally been accepted for decades. What has been missing is an administrative tool to make transparent the long-term cost of decisions that generate short-term cash flow.

The ability of all nations to manage their public finances continue to present a challenge. Donors and financial institutions working to strengthen development country Public Financial Management (PFM) capability have worked on strengthening financial systems (banking), cash flow management, taxation reform, budget strengthening, financial reporting and financial systems management. World class experts on these PFM functions have visited and advised many of the world's developing nations. One public servant in a small Pacific Island country may have had more conversations on public sector management with world experts than most heads of agencies in developed nations like the USA, Australia and China.

The problem is that no one technical speciality has the answer. Given the inter-relationship among the specialities government leaders are responsible for identifying the sequence and setting priorities for maintaining and strengthening the nation's well-being. Strengthening the nation in both body and spirit strengthens the people's well-being (See: <http://www.wellbeingmanifesto.net/wellbeing.htm> and <http://www.oecd.org/dataoecd/36/40/33703702.pdf> for a full discussion on the meaning of well-being).

Well-being includes financial, social, cultural and environmental attributes. Yet

government budgets continue to allocate cash to activities without taking into consideration their full costs. However, when 189 world leaders promised to “end poverty by 2015” at the United Nations Millennium Summit in 2000 they began a process that has engaged people’s across the world working to achieve the millennium development goals (MDG) to ensure the well-being of the earth’s peoples (See: <http://www.un.org/millenniumgoals/>).

The Public Expenditure and Financial Accountability (PEFA) program was established to assist donors and developing countries to work together to strengthen the PFM capability of developing countries. It was founded in 2001 as a multi-donor partnership to:

- (i) assess the condition of country public expenditure, procurement and financial accountability systems, and
- (ii) develop a practical sequence of reform and capacity-building actions.

This paper argues that the time is right to extend the methodology applied in the PEFA Program to whole-of-government asset management to strengthen EAROPH country member and donor ability to:

1. assess the condition of country public sector asset management stock, and
2. develop a practical sequence of reform and capacity-building actions, in a manner that:
 - Sets a priority for maintenance consistent with national values
 - Reduces the cost of operating and maintaining its public assets
 - Enhances donor harmonization
 - Allows monitoring of the progress of public asset management performance over time
 - Better addresses development and fiduciary concerns
 - Leads to the improved impact of asset management investment.

Generally the proposed tool will strengthen the ability of countries in the Asia Pacific region to:

- i) assess the condition of country public sector asset management, and
- ii) develop a practical sequence of reform and capacity-building actions to strengthen the body politic and the national spirit.

1. Assets that weaken the spirit and the body

AusAID is about to be transformed into one of the biggest-spending agencies. Now that's the big challenge because when you're just jogging along in the crowd, no one notices you but when you take the lead people really look at you. AusAID is going to be doing many more things in many more places and be under a lot more scrutiny. (Cattanach 2010)

AusAID, and other donors, have worked together to create the asset stock of developing countries. Yet the capability of these countries to manage their asset stock is limited by each nation’s ability to generate cash flow with which, among other priorities, to operate and maintain its asset stock.

Capital budgets, in some countries, are prepared separately to the recurrent budget. The recurrent budget is, similarly, frequently prepared separately to the national plan. The capability of Ministry of Finance staff to capture, record and plan for

expenditure is being strengthened. Some countries are struggling to establish a solid foundation for financial management, for example, identifying and accounting for all bank accounts containing public funds. While others are struggling to fund infrastructure upgrading to meet the expectations of voters for asset dependent services, the management of public sector assets is seen within the context of the introduction of accrual accounting and the financial reports produced, including the balance sheet.

Building the capacity of a ministry to prepare recurrent and capital budgets can be time consuming, especially with a frequent turnover of budget staff. Yet the overall capacity of the government to deliver services depends, to a large extent (and varies across sectors) on a functioning asset stock.

Electricity generation, roads, bridges and other infrastructure assets are necessary for economic development. Water, schools and health centres are necessary to achieve the millennium development goals. And offices and their desks, chairs, computers and printers are necessary if the assets are to be procured, implemented and operated.

While recurrent appropriations are subject to annual review, there are many permanent appropriations which are not. That is because they are critical to the functioning of the state. Judges salaries, pensions and debt repayments are examples.

The placing of asset management within the context of financial management is, of itself, an error in priority. In 2007 Indonesia issued a Presidential decree on asset management (Peraturan Menteri Dalam Negeri Nomor 17 Tahun 2007 Tentang Pedoman Teknis Pengelolaan Barang Milik Daerah). The Government of Malaysia has always viewed social development as inseparable from economic development. It has announced its intention to achieve developed country status for Malaysia by 2020. To achieve this, the government is concentrating on four primary pillars of energy, environment, economy and social perspective. In 2009 it issued a National Policy on Asset Management to support its Dasar Teknologi Hujau Negara (National Green Technology Policy).

These are important steps towards achieving a strong body politic. Malaysia and Indonesia are committed to managing their stock of public sector assets to better serve their peoples.

The need to identify and manage the asset stock is not new. The Queensland Government created the position of Co-ordinator - General of Public Works under the "State Development and Public Works Act of 1938" to take effect on 1 January 1939. The position was within the Premier's Department for its entire existence. Close to the leaders of Queensland, the Coordinator-General and staff were able to ensure infrastructure and its management was given high priority. The Coordinator-General's Department kept reports "prepared by departmental committees, special committees, Queensland government departments, Commonwealth government departments, Northern Australia Development committee, national councils, semi-governmental bodies and private enterprises on various subjects including: Land settlement and development, soil conservation, coastal erosion, flood control, harbour and port development, fodder conservation, highway construction, roads, road safety, traffic, transportation, decentralization, housing, post-war reconstruction, mining industries (iron and steel, aluminium, coal, coke), rural

industries(beef, cotton, sugar, tobacco), pearl shell and associated industries, offshore oil and gas exploration, University College of Townsville, Brisbane River studies, Brisbane markets (Corinda), Cannon Hill Abattoir buildings, irrigation (including Burdekin irrigation settlement), water conservation, hydro-electric schemes.”¹ Its decisions influenced the shape of Queensland. It also influenced the annual budget of the state. The Capital Budget contained the annual parliamentary commitment to the building of capital works. Operating and maintenance costs were part of the annual operating budget of the state department or body charged with the management of the asset. Treasury had an oversight role to ensure that infrastructure planned could be operated and maintained. Revenue streams were generated to fund interest and redemption payments and sinking funds were established.

Coordination of the public works program and its draw on the annual budget funds occurred with regular meetings among Coordinator General and the Under Treasurer and their staffs. That is not to say that this relationship was always without angst. What is important to our purposes, is that there was an on-going relationship among the senior bureaucrats heading both departments. The Capital and Annual Budget allocations were coordinated.

This was achieved without large staff numbers, sophisticated computing and extensive office facilities. It was done through on-going communication and a shared understanding of the need for the coordination. This need was appreciated by politicians and bureaucrats.

A country can manage its asset stock effectively without the benefit of university educated staff, air conditioned offices and computers. What is required is political will and a high priority assigned to the management of a nation’s asset stock by the bureaucracy.

Cross professional collaboration is required to systemically manage the asset stock of a public sector - whole of government, sector, agency or division. Systemic asset management requires the involvement of accountants, engineers, planners, architects, environmental scientists and others.

Governments have been building infrastructure assets since there have been governments. The Sui Dynasty (581 – 618AD) completed the grand canal, the oldest parts of which were begun in 486 BCE (Before the common era). It is the longest canal or artificial river in the world. China’s Grand Canal is 1776 km long and rises to an elevation of 42m. The difficulty of large ships using the canal was solved in the tenth century when, during the Song Dynasty, the pound lock was invented.

Queensland has been developing its infrastructure since 1859 when it was established as a state separate to New South Wales. In 1943 it set up a Bureau of Investigation under "The Land and Water Resources Development Act, 1943" to investigate the development of irrigation throughout Queensland.

Some governments use legislation to provide the structure through which they manage their assets. Some use executive decrees. Still others use informal networks. Some rely on professional networks and associations to maintain the focus

¹ <http://www.archivessearch.qld.gov.au/search/SeriesDetails.aspx?SeriesId=7832> Last accessed 12 October 2010.

of individual public servants on asset management. Some rely on ad hoc advisers providing leadership. Most rely on a combination of all of these methods. No one model can prescribe asset management even in the state that inspired the model.

There is a difference between form and substance in managing assets. Indeed, the identification of assets can focus on the form and ignore the substance. While the accounting definition of an asset assumes it has a positive cash flow over its lifetime and / or provides future services, there is a tendency to identify capital budget funded items as assets.

Some countries, at a request of donors, concentrate on identifying motor vehicles and computers, funded by donor funds so that donor agencies can satisfy their national accountability requirements. In doing this, the country can be ignoring large cash flows that arise from contracts negotiated by individual ministers and not notified to the Ministry of Finance. It comes down to priorities. If accountants set the priorities, physical assets will be recorded, but perhaps not managed. If engineers set the priorities, large capital works projects will get the priority, but perhaps not the funding to operate and maintain them after the build is completed. If donor country advisers set the priority, facilities required to achieve program aims will be funded, sometimes at the expense of future economic and functional viability of the agency.

Priority should be given to delivering the standard of service that these public sector assets, and their interconnected systems, provide.

No one argues that there have been no failures in standards of service, whether in developed countries (Australian and New Zealand examples include the Victorian gas crisis, the Auckland power crisis and the Sydney water crisis (Victoria 2000:5)) or developing countries (Health services, education services, transportation). The privatisation or corporatisation of services and their interrelated assets do not insure the ongoing successful delivery of services. The Australian and New Zealand examples resulted from failures that occurred on the watch of both private companies and government / state owned corporations: the Longford Gas plant was owned and managed by Esso, Australian Water Technologies was part of Sydney Water a state-government owned corporation and Mercury Energy controlled by a community trust.

The Institute of Public Works Engineering Australia stated that "significant studies at a state level and by the Australia Local Government Association have confirmed a growing problem of financial stress facing local government". It states "30-40% of all councils in Australia have been judged to be "not financially sustainable" in the long-term". Reasons included "demand for services, increased asset base leading to expanding renewal liability, a focus on new assets at the expense of renewal of assets, failure to recognise and address ongoing costs associated with asset provision, rising costs, cost shifting and restricted revenue raising capability" (<http://www.ipwea.org.au/Content/NavigationMenu/SIGS/AssetManagement/NAMS-LEGISLATION-POLICY-Final-May08.pdf>).

All countries experience asset and service failure. What is also common is human resistance to taking responsibility for these failures and to transparently investigating the causes. Unless there is someone or an agency clearly "to blame" there is often a limited appetite for a full inquiry. Of course such enquires can be expensive and produce no more information than is already commonly known. And, like sinners,

failures will always be with us.

Governments manage the gap between cash flow in the present and the perception of the value of the future public asset stock / resources used up in generating that cash flow. At some stage, there is "push-back". Governments also know that most people will forego almost anything to ensure the health and happiness of their children. The challenge is to find, as the Brundtland Commission noted, the point at which development is sustainable. The Brundtland report defined that point as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Our Common Future. See: <http://www.worldbank.org/depweb/english/sd.html>). It contains within it two key concepts:

- the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given²; and
- the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs³." (World Commission on Environment and Development's (the Brundtland Commission) 1987).

Over twenty years ago Brundtland called for a new era of economic growth – growth that is forceful and at the same time socially and environmentally sustainable (UNCSD). To these three have been added a fourth pillar - culturally sustainability. In decisions that build infrastructure, there are always winners and losers. Many farmers lost control of their land and perhaps their livelihoods when the Grand Canal 運河 was built. The canal or regular movement 運 of the river 河 has provided livelihoods to generations of Chinese in the last two millennia. What is needed is a thorough capture of the costs and benefits in the long-term as well as the short-term and, where current pricing does not capture these, for analysis that incorporates as yet unmeasurable costs and benefits.

Systemic Asset Management (SAM) attempts to address this challenge.

2. Systemic Asset Management

In the twentieth century formal asset management began with the management of liquid assets, mainly cash and financial investments. Engineers responsible for technically complex machinery developed ways of managing individual assets. Engineers responsible for road assets and other infrastructure assets such as power generating stations and water treatment plants have developed asset management systems to manage these assets. With the introduction of accounting balance sheets, all tangible assets began to be recorded and the need to manage this now evident asset stock led to the preparation of asset management guidelines in various

² In "The Global Challenge" para 10.

³ Para 15.

jurisdictions.

When New Zealand government departments began to prepare balance sheets and record assets and liabilities in the early 1990s, there was a growing recognition that a longer term planning approach was needed for infrastructure assets.

Other governments were to introduce balance sheets and began to prepare guidelines for managing assets. Not only were guidelines prepared to assist government to strategically manage their asset stock (Queensland had its Smart Asset Management and in July 2003 it launched Queensland's Asset Strategic Plan Guidelines) but also the need to actively manage and maintain the asset stock began to be addressed, much as the New Zealand reformers had hoped. Queensland distributed its Maintenance Management Framework to apply to government buildings in 1999. The New South Wales Department of Public Works issued its asset information guideline, consisting of an asset strategy, an office accommodation strategy, capital investment: strategic planning, asset maintenance etc in 2001. The NSW Treasury issued Total Asset Management (TAM), incorporating the DPW's suite and adding, among other guides, TAM capability tools and a Guide to Conducting a full capability review in 2004 (see: http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0017/5093/asset_information.pdf⁴).

It became increasingly obvious to many jurisdictions that the investment in new public infrastructure was only a small part of an ongoing commitment to spending on community assets (<http://www.nams.org.nz/pages/17/company-history.htm>). The New Zealand Asset Management Steering (NAMS) Group was established in 1995 as the result of a proposal developed by Ingenium⁵ (previously Association of Local Government Engineers New Zealand) and supported by Local Government NZ, the Society of Local Government Managers, the Office of the Auditor-General, the NZ Water and Wastes Association and the NZ Recreation Association. The NAMS Group was formed to develop and promote infrastructure asset management practices, policies and systems in New Zealand. The NAMS Group has been very successful in raising the understanding and practice of asset management in New Zealand. Infrastructure asset management is now accepted as one of the primary activities underpinning the health and wellbeing of its communities. The NAMS Group continues to ensure that asset managers in New Zealand and overseas reap the benefits of a coordinated approach to advancing asset management.

The Institute of Public Works Engineering Australia followed the leadership of its New Zealand counterpart and worked with it in establishing asset management guidelines. The NAMS International Infrastructure Management Manual is well

⁴ Last accessed through the google web cache http://webcache.googleusercontent.com/search?q=cache:http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0017/5093/asset_information.pdf on 16th October, 2010.

⁵ INGENIUM is the Professional Organisation for those involved with Public Asset Engineering and Management (See: <http://www.ingenium.org.nz/pages/38/AboutUs.htm>)

accepted worldwide as the definitive document for asset management theory. It is a comprehensive collection of asset management good practice and case studies. NAMS provides other manuals and guidelines and asset managers should be familiar with their website: <http://www.nams.org.nz/>.

However, the IIMM has been designed to meet the needs of asset managers in English speaking developing countries: mainly in New Zealand, Australia, the United Kingdom, the USA, Canada and South Africa.

The technical and resource requirements assumed by those preparing the manual are not yet available to all developing countries. This limitation was identified by KC Leong in "The Essence of Asset Management: A Guide" for developing country asset managers.

Systemic Asset Management (SAM) framework is an alternative approach that consciously recognises the inter-relationships of individual assets and infrastructure with other systems, in the public and private sector and in households, that combine to ensure services are delivered to the standard acceptable to the community. SAM recognises the dynamic system of which each infrastructure asset is a part. It identifies the standard of service being sought. It is based on the community's lived experience of the asset and the service and links together aspects that are common sense for a member of the community but may involve cross-institutional liaison within government. For example, SAM links building management with maintenance by the people living in or around the building, the training of residents in maintenance and safe use of the space together with the provision of childcare facilities for residents to attend training and undertake maintenance duties (See: <http://www.earoph.info/pdf/2009papers/P12-Presentation.pdf>). SAM is wholistic and community based and is hence initially more appropriate to developing countries than the NAMS model.

But regardless of whether the NAMS approach, the SAM framework or an alternative accounting based framework is being applied, what is missing is a means of assessing the asset stock and the asset management capability that enables Ministers and donors to plan a practical sequence of reform and capacity-building actions that ensure the sustainability of a nation's public asset stock and maintain both its body politic and its national spirit.

3. Methodology within which to manage a response

A number of data sets are collected and managed with the aim of assisting governments and donors to better provide services. These include the World Bank's CPIA (Country Policy and Institutional Assessment) indicators, the OECD-DAC's Aid Effectiveness indicators, the World Bank/IMF Heavily Indebted Poor Countries (HIPC) expenditure tracking indicators, DFID's Fiduciary Risk Assessment indicators the

OECD's procurement indicators. The World Bank's Government Debt Management Indicators

(<http://siteresources.worldbank.org/PEFA/Resources/CommonApproachToPEFA&otherIndicatorsFinalAugust2007.docx>).

The Public Expenditure and Financial Accountability (PEFA) program, was founded in 2001 as a multi-donor partnership between the World Bank, the European Commission, and the UK's Department for International Development (DFID), the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, and the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund to strengthen recipient and donor ability to:

- (i) assess the condition of country public expenditure, procurement and financial accountability systems, and
- (ii) develop a practical sequence of reform and capacity-building actions.

The PEFA Framework was "developed against the background of the need to (i) reduce the heavy transaction costs on recipient governments (ii) reduce the overlap of the many diagnostic instruments (iii) improve and enhance coordination among donors and (iv) improve the impact of reform initiatives. The Framework was developed between 2003 and 2005 through extensive consultations both with donors and governments.

The PEFA Framework provides a "snapshot" of a country's PFM performance system. It covers the entire financial management cycle and embraces international standards and codes in its structure. It is internationally well accepted and has presented itself as good practice in integration and coordination of financial management evaluations amongst donors" (Note Aug 2007).

The PEFA program covers the whole financial management cycle, collecting assessments on a country's public financial management practices.

The PEFA program assesses the following public financial management systems, processes and institutions:

1. Budget credibility
2. Comprehensiveness and Transparency
3. Policy-based budgeting
4. Predictability and control in budget execution
5. Accounting, reporting and recording
6. External scrutiny and audit
7. Donor practices, and
8. Country specific Issues.

It provides an integrated, standardized and indicator-led methodology to measure and monitor PFM performance over time. Its objective is to help assess the performance of PFM systems, processes and institutions in each country and it

provides broad measures of PFM performance relative to system characteristics. The scoring methodology, covering a set of 31 high level indicators, emphasizes empirical and observable scores for each PFM area based on internationally recognized good practice. The framework was not designed to rank countries by means of an overall aggregate score for each country. The PFM performance report - which supports the scores and brings together an analytical summary - is not meant to judge policy actions of government nor provide explicit recommendations, but instead to support a strengthened approach to PFM reforms by facilitating dialogue between government and other stakeholders on PFM reforms (Excerpt from a country PEFA Assessment Report).

Scores are A, B, C or D. Where there is insufficient data, no score is recorded. The score is graded against the range for each indicator. For example, in assessing the proportion of aid managed by use of national procedures the scoring is:

- A - 90% or more of aid funds to central government are managed through national procedures.
- B - 75% or more of aid funds to central government are managed through national procedures.
- C - 50% or more of aid funds to central government are managed through national procedures.
- D - Less than 50% of aid funds to central government are managed through national procedures.

A trained team visits and, in consultation with key government staff, arrives at an assessment that is based on the evidence available.

The intention is to provide the government with a factually based assessment that takes into consideration the policies and priorities of the government and is useful in strengthening the government's public financial management.

For example, one country, in its first PEFA assessment was able to demonstrate that it had made significant changes in the way its public finances were managed and that it had increased transparency and independent oversight. Constitutional reforms had strengthened the roles of the supreme audit institution and the parliament itself with regard to financial oversight. A PEFA report emphasises the strengths, while acknowledging areas requiring further strengthening, and governments obtain good value from an assessment.

Country reports are available on the PEFA website.

With the general acceptance of PEFA assessments, is it now time to consider either extending the PEFA assessment criteria to include asset management or to develop a new set of criteria which trained assessors can use to work with governments staff to assess their asset management capability.

The Asia Pacific Institute of Good Asset Management (APIGAM) is preparing a draft set of criteria with input from engineers, accountants, landscape architects, planners, environmental scientists and donor institutions. It is planning to develop the schema in 2011 and to begin negotiations with donors and governments within Asia and the Pacific to trial the assessments in calendar year 2012.

Like the PEFA Program, the APIGAM Asset Management Assessment criteria will be developed after wide consultation with donors, EAROPH member countries and professional bodies. EAROPH member countries include both small island states of the Pacific and the People's Republic of China. It is intended that APIGAM will follow the leadership of NAMS and provide asset management guidelines developed and developing countries in Asia / Pacific appropriate to their needs.

By facilitating the development of asset management assessment criteria APIGAM can assist member countries to share successes through case studies and assessment reports. APIGAM can also work with member countries to prepare appropriate asset management guidance to use in strengthening each country's management of its public sector asset stock.

Investments in Public sector asset result in an on-going obligation of country governments to fund the operation and maintenance, and disposal of the asset funded by the capital investment program, however funded.

As has long been accepted, this Operations and Maintenance financial obligation can sometimes exceed the annual budget of the recipient government / department / agency (AusAID 1999).

The SAM Standards will be established to complement the assessment criteria so that, in the near future, governments can be better informed of the full cost of capital investment decisions, including the economic, social, cultural and environmental costs.

Conclusion

This paper has argued that a methodology is needed to assist nations to identify the long-term costs of their asset stock.

Nations have to deliver standards of service that is acceptable to its people, without meeting all their expectations.

Sustainability requires nations to identify and manage economic, social, cultural and environmental costs of its decisions.

APIGAM is planning to establish a set of criteria which nations can use, along with

the PEFA program, to strengthen its ability to provide services to their peoples.

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