Building on Lessons (Yet) Learned?

Exploring the NZ Aid Programme’s Approach to Infrastructure in the Pacific

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Introduction

At the Auckland Pacific Island Forum Leaders’ meeting in September 2011 Foreign Minister Murray McCully identified infrastructure as one of three important “enablers” for economic development, alongside energy and education (McCully, 2011a). The Minister’s words emphasised recent moves by the New Zealand Aid Programme to increase investment in infrastructure that contributes to economic development, particularly in the areas of tourism, water and sanitation, transport, energy and agriculture. Based on a review of relevant literature, current NZ Aid Programme projects and discussions with MFAT staff³, this Commentary discusses the NZ Aid Programme’s approach to infrastructure. It compares this approach against past lessons learned by donors in funding infrastructure activities, and asks the question: who benefits from infrastructure projects funded by NZ’s development assistance?

Few would dispute the vital role infrastructure plays in sustainable development. Several of the major international development institutions have sharpened their focus on infrastructure within development – and New Zealand isn’t far behind. In its former international aid and development magazine, Currents, MFAT noted that, “the poor state of basic infrastructure in developing countries is widely recognised as a constraint to sustainable economic development, as well as a risk to public health and safety” (Koszler, 2010, p. 2). Similar sentiments have been heard from the Asian Development Bank (ADB) and the World Bank, particularly in their focus on the Pacific. According to the ADB (2009), “no country can expect to succeed without a solid infrastructure base,” while the World Bank (2006) lists “low levels of access to infrastructure in rural areas”, “inefficient service provision” and “inappropriate infrastructure pricing” as clear barriers to growth and development in Pacific countries.

Over the last decade, New Zealand’s investment in economic infrastructure and services⁴ in its overseas development assistance has risen. According to the OECD (2012), New Zealand has increased its investment in economic infrastructure from US$3.19m (3.8% of total NZODA) in 2000 to $17.86m (6.6% of total NZODA) in 2010, reaching a high of $19.14m (8.5% of total NZODA) in 2009.

¹ NZADDs Commentaries provide commentary from the perspective of the author, contributing to discussion and analysis of NZ aid and development work. NZADDs Commentaries do not necessarily reflect the view of NZADDs. NZADDs publications can be read online at: http://nzadds.org.nz/publications/

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³ Discussions with MFAT staff were held in 2011 and have informed the arguments made in this commentary. Their identity has been withheld in order to maintain confidentiality.

⁴ According to the OECD, economic infrastructure includes transport and storage, communications, energy, banking and financial services and business and other services. This NZADDs Commentary focuses on infrastructural projects in areas such as transport, communications, energy and water and sanitation.
It is important to note that an increase in infrastructure funding is likely to have been decided prior to the election of the National Party-led Government in 2008. While a focus on infrastructure is not new, following the change in core focus to economic development and growth, the NZ Aid Programme has been actively pursuing and seeking out economic infrastructure projects. Unless the NZ Aid Programme is explicitly analysing its infrastructure activities to fit the partner country context and to address the dual needs of predominantly rural, subsistence agriculture communities across the Pacific, alongside increasing urban communities, then it runs the risk of contributing to inequality and neglecting the people who most need the assistance of aid from NZ taxpayers.

New Zealand’s Changing Approach to Infrastructure

Along with high level changes in the Aid Programme, New Zealand’s approach to infrastructure aid has also changed, moving from one that was ‘bottom up’, to one that is now ‘top down’. In line with the shift in focus from poverty alleviation to sustainable economic development, the Aid Programme has stressed the importance of investing in infrastructure for supporting economic activity. This recognizes that “a lack of sound infrastructure leads to a lack of employment, as it is often a disincentive to investment” (Koszler, 2010, p. 2). There has also been a shift from the past focus on capacity building, improving institutions, public health, and public financial management to increasingly large infrastructure packages that involve spending on roads, airports, harbours, telecommunications and energy. The Aid Programme’s continued emphasis on infrastructure, with a preferred focus on economic over social infrastructure, can be seen in: the new Joint Commitments for Development (JCfD)⁵, which show a clear shift towards supporting large, often economic, infrastructure projects; the establishment of a panel of construction companies on which the NZ Aid Programme can draw at short notice for the development of infrastructure projects; and NZ’s continued role as a partner in the Pacific Regional Infrastructure Facility (PRIF), alongside other regional development actors such as AusAID, the European Union, the ADB, and the World Bank.

Within the NZ Aid Programme, infrastructure plays a key role in sustainable development alongside trade arrangements and building a business-enabling environment. The priorities for infrastructure development include “safe, reliable and competitive transport services and related infrastructure” and “renewable energy, which supports energy security by reducing reliance on the importation of diesel and to mitigate climate change” (NZAP, n.d.). While the NZ Aid Programme does recognise that women face “particular challenges in getting access to economic opportunities and resources” (NZAP, n.d.), it does not indicate the relationship between its economic infrastructure funding and the impact on women or other under-served populations – those most in need of infrastructure that serves them well.

Even with the re-launched NZ Aid Programme website up and running, there remains strikingly little detailed information on NZ’s approach to, and evidence of, infrastructure projects. There is little indication of how and for whom the projects will be “safe, reliable and competitive” (NZAP, n.d.). With the New Zealand Aid Programme’s 2011/12 Economic Development Strategy still under development, little further analysis can be made of the way the Aid Programme intends to consider social and environmental issues when devising infrastructure projects. This raises questions as to whether the NZ Aid Programme is heeding lessons learned from past infrastructure activities across the developing world, including in the Pacific.

⁵ A Joint Commitment for Development (JCfD) is an agreement established between New Zealand and a Pacific partner country that includes a results framework to support development in that country.
What Lessons Have Been Learned?
In early 2011 the London-based Overseas Development Institute (ODI) remarked that although infrastructure is not explicitly covered by the Millennium Development Goals (MDGs), “there is now widespread belief that few MDGs will be reached unless the infrastructure deficit is bridged” (Kingcombe, 2011). Pun intended or not, one important question requires consideration: if New Zealand is changing the focus of its infrastructure projects and expanding its funding allocation to this area, is it incorporating lessons learned from the past into its infrastructure projects today? In examining key documents on donor infrastructure efforts in the Pacific as well as current NZ Aid Programme infrastructure activities, four important lessons appear yet to be fully appreciated. These include the importance of:

1. providing on-going support for infrastructure maintenance and local capacity
2. recognising the vulnerability of the infrastructure sector to corruption and building an environment of good governance
3. establishing a fully coordinated and harmonized donor approach to infrastructure projects
4. ensuring that infrastructure projects are relevant to the people in each particular country and meet their needs.

These lessons are further examined below.

1. Maintaining Infrastructure and Local Capacity
Using aid to fund infrastructure in the Pacific has a long history. Although development practice following decolonisation focused largely on rural infrastructure – in particular transport and communications – many of the physical structures from this period have suffered from a lack of investment in long-term maintenance. In a 2006 working paper, the World Bank highlighted, “in the Pacific, governments have often focused on building new infrastructure, rather than investing in operations and maintenance. This has contributed to poor performance later on” (p. 5). Maintaining infrastructure doesn’t only ensure that existing infrastructure remains in good condition for all to use, it also provides on-going employment.

To enable long-term infrastructural maintenance, investment is needed in building the capacity of both the partner government as well as the local labour industry in order to ensure their ability to operate, maintain and manage the infrastructure for the long-term. Far too often infrastructure projects are established on a rationale that donors will build the structure and the partner government will maintain it, with little attention paid to recurring costs, appropriate technology use and training needs for local staff.

There is some evidence to show that this lesson has been influential on at least one NZ Aid Programme infrastructure project. Together with the Solomon Islands Government, the ADB, the European Union (EU) and Australia, NZ is supporting the Solomon Islands Road Improvement Project (SIRIP), which aims to upgrade rural roads, establish a programme for routine maintenance, and build the capacity of the Ministry for Infrastructure Development. Time and decent evaluation will show whether or not these efforts for sustainability will pay off in well-maintained roads.

What is still needed is wider recognition of the need to support the entire project lifecycle, from ensuring that donor activity has a budget line for infrastructure maintenance to building the capacity of local government to operate and a domestic industry to maintain that infrastructure. While the NZ Aid Programme recognises the need to invest in good public administration, particularly public
financial management, at the central government level, it seems to assume this increased capacity will cascade down to the local level. Investment in building the capacity of provincial level government and local labourers remains missing. Is there, for example, adequate funding and a pool of trained employees in place to operate and maintain infrastructure, whether it be for public goods or for potentially revenue-generating assets? This kind of long-term approach to infrastructure project planning is not only possible, but fits neatly with the Aid Programme's emphasis on private sector partnerships.

There are some good examples of innovative models that incorporate this level of capacity building, which the New Zealand Aid Programme could apply. The Renewable Energy and Energy Efficiency Partnership (REEEP) is one example. REEEP is an active public-private partnership comprised of 400 partners, including 45 governments and a range of private companies and international organisations. REEEP initiates, funds and resources energy projects. More importantly, it involves projects that provide on-going work and livelihood training. REEEP offers a good basic model for local capacity building. Unfortunately, it is European-based and administration-heavy, thus complicating its efficiency. Another potential model could involve funding a regionally or centrally owned plant to maintain the critical machinery needed for projects, which would make it available to local contractors for maintenance jobs. This would enable local people to competitively tender for jobs despite lacking the large-scale capital needed to purchase the necessary machinery.

Establishing a 'protected' revenue stream to meet the on-going costs of operation and maintenance is a difficult but essential part of long term planning for infrastructure. The orthodox approach has been to talk about introducing 'user charges' but these alone are usually (except for ICT and, often, electricity) not adequate and are often anti-poor. Establishing the appropriate mix of user charges, direct government funding (for example, from taxation), and on-going donor support to meet the full operation and maintenance costs over the asset's lifetime is essential. Creating and safeguarding this kind of long-term investment, however, requires good governance and an emphasis on tackling corruption.

2. Addressing Corruption and Building Good Governance

"Construction is frequently held up as one of the most corrupt industries worldwide" (Kenny, 2007, p. 2), according to a policy research working paper produced by the World Bank. Within infrastructure provision, corruption can take several different forms. It can include bribes made both to influence decisions (budgets, tender selection, contract negotiations and permits), as well as covering-up shoddy practices (poor quality work or materials theft). The effects of corruption, however, don't stop there. Corruption in the infrastructure sector is often responsible for higher overall project costs, overspending on new projects rather than investing in maintenance, as well as high levels of avoidable fatalities of both workers and end users. According to the World Bank report, bribes made to evade health and safety regulations are responsible for approximately 17 per cent of fatal workplace accidents worldwide – about 60,000 deaths a year (Kenny, 2007, p. 5).

Corruption is likely to exist as long as the opportunity and need remains. The tools to combat corruption are largely the same as those used to build an environment of good governance. For example, the World Bank lists the following avenues for reducing the extent and impact of corruption in construction. Efforts should be made to (Kenny, 2007, p.7):

- improve planning and budgeting processes
- increase competitive pressures
reduce unnecessary regulation and better monitor necessary regulation
improve transparency of the project cycle
increase civil society participation
reduce the discretionary power of individual bureaucrats
improve financial and physical auditing.

The sustainability of infrastructure requires more than just building and maintaining the physical structures. It requires building good governance practices and capacity with the partner government and local industry, specifically in relation to infrastructure projects. Addressing issues of weak governance, according to the World Bank, “will have a significant role in determining the level of corruption in construction” (Kenny, 2007, p. 8). Without adequate consideration by donors of ability to maintain, manage and budget for recurring costs for infrastructure, partner governments are essentially being set up to fail. Several of the NZ Aid Programme’s overseas activities include allocations for building good governance, including support for public financial management, public sector improvement and the development of legislation and regulations. However, few of these approaches are explicitly linked to infrastructure projects, and most are focused only at the central government.

Developing and implementing appropriate legislation and regulations are only one part of creating good governance environments. As the World Bank (2006) points out, a crucial component of good governance is an active civil society with the ability to hold their government accountable, ensuring leaders are doing what their people need. Yet, as Spratt (2011) has pointed out, the NZ Aid Programme has made cuts in funding to Pacific civil society organisations. Transparency is also a key component of good governance. At present, there is little information publicly available on the six consulting firms that make up an approved panel of consulting engineering and related professional services firms prequalified to bid for infrastructure projects.

The NZ Aid Programme appears to recognise that it is important to ensure that good governance activities are integrated into infrastructure activities. However, if the Aid Programme aims to holistically build an integral environment of good governance, it is critical that it consistently addresses the vulnerability to corruption of the infrastructure industry, and focuses greater attention on integrating good governance activities into infrastructure activities, both within and outside of the government.

3. Coordinated and Harmonised Donor Approach

The 2005 Paris Declaration on Aid Effectiveness recognised that a coordinated and harmonised approach to aid is best practice for development. In the infrastructure sector, a lack of donor coordination often leads to a piecemeal approach to funding, building and maintaining parts of the same project. As noted by the World Bank (2006, p. 25), this method of infrastructure development “often produces poor quality infrastructure investment.”

Responding to the need for increased coordination within the infrastructure sector, in 2008 New Zealand became a member of the Pacific Regional Infrastructure Facility (PRIF), alongside Australia, the European Union, ADB and the World Bank. In theory the PRIF recognises the need to address problems of past infrastructure practices that saw structures built but then left to be run down to the point of needing to be rebuilt. Additionally, it is hoped that the PRIF will lead to better working
relationships among donors, and potentially even a useful avenue for New Zealand to influence the work and policy of the other donors.

In practice, however, the PRIF has yet to remedy the problems of donor coordination. Initially, it was intended for the PRIF to act as a central ‘pot’ of money to which donors could contribute. Unfortunately, donors have been unable (or unwilling) to centralise their funds without putting each project through their own individual approval processes. Additionally, branding remains a significant concern. Donors maintain their desire to have their names associated with any projects to which they are contributing, as a public relations exercise. Currently, the PRIF is now mostly a coordination mechanism through which donors co-finance each other’s infrastructure projects with one donor taking the lead. Work is being done to establish a process in which donors can accept the approval procedures of other donors, but this is not yet in effect.

NZ’s involvement in the PRIF is one example of the NZ Aid Programme attempting to put the principles of donor coordination into practice. However, each donor’s desire to showcase the result of their aid work hampers the potential of the PRIF. The reality is that coordinating donors is complicated, and is likely to require donors to learn to compromise in order to benefit those most in need of infrastructural development. Minister McCully’s general impatience and desire to see quick changes on the ground show that at least the leadership of the NZ Aid Programme has little appetite for sometimes time-consuming communication and compromise.

4. Relevant, Inclusive and Integrated Infrastructure

For infrastructure to contribute to development outcomes, it must be relevant for local people, in particular the poor. Additionally, infrastructure is most beneficial when it is one part of a more widely integrated package of development initiatives, which is more likely to be inclusive for all users.

Evaluating the relevance of infrastructure projects is critical to ensuring that those most in need of infrastructure are being targeted. In line with the Paris Declaration Principle of ‘alignment’, the NZ Aid Programme bases its infrastructure projects on needs identified by Pacific Island country national development strategies. Yet, there is a significant challenge to this needs assessment approach. How representative are Pacific government leaders of their people? This gap is most clearly evident in the lagging role that women play in official Pacific politics. Women remain significantly underrepresented in the political sector. In the Solomon Islands, for example, “women make up fewer than one-third of public sector employees and there are no women elected to the Solomon Islands parliament” (Bishop, 2011). A 2008 study conducted by the Pacific Island Forum Secretariat’s Political Governance and Security Programme evaluated the quality of leadership across 13 Pacific Island Forum countries. Regarding women’s role specifically, the study found that, “the assessment that most leaders are fair and equitable with citizens is correct only if about fifty per cent of the Pacific Islands population is taken into account.” Furthermore, the study noted that, “the region continues to be the worst in the world as regards the involvement of women in government and any decision-making mechanisms that matter” (Islands Business International, 2007).

Although women do in fact make significant political contributions, the reality is that they remain largely relegated to the informal political domain (George, 2011). This lack of official input into the wider political sector has particular implications for infrastructure. Women’s infrastructure needs can,

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6 There is now one women member of parliament, following a by-election in August 2012.
and often do, differ from men's (ICRC, 2005). Women are disproportionately adversely affected by a lack of basic infrastructure, such as clean and safe water, safe cooking fuels, electricity and transportation, particularly because it is predominantly women who are responsible for daily household tasks. Women in Pacific countries spend a great deal of time in subsistence gardening and fishing, and will sell excess produce or homemade items for cash. They need particular infrastructure to support them to do this, such as safe market places, and particular transport infrastructure to support travel to and from the market.

As the International Centre for Research on Women (ICRC, 2005) notes, to address these gender disparities, particular attention must be given to: understanding the infrastructure problems that women face; involving women in the design and planning stages to ensure the effectiveness, sustainability and appropriateness of the infrastructure projects; and overall increasing women's access to affordable, efficient infrastructure services. Rather than making women rely on unintended or unplanned positive outcomes of infrastructure (OECD, 2004), prioritising women's infrastructural needs must play an essential role in early design and planning in order to maximize the benefits for women. If economic infrastructure does not take into account women’s needs it is unlikely that it will do so for other population groups, such as the poor.

Infrastructure is most likely to be inclusive when it is integrated among a number of development initiatives. Infrastructure development is most, and some would argue only, beneficial when it is part of an integrated package. For example, when a new road is developed in conjunction with improved electricity supply, and livelihood and business training. Tonga is often pointed to as an example of an integrated approach to infrastructure development, where the NZ Aid Programme is focusing its efforts on developing Tonga's tourism sector, upgrading roads and runways, improving energy supplies, and mentoring and supporting growth in the private sector (such as women's handicraft). The case of Tonga shows that it is possible to implement inclusive infrastructure if there is investment in adequate roads, locally owned and operated hotels and tourist attractions, well-trained service providers, all in addition to building transport infrastructure.

The largest current NZ Aid Programme funded infrastructure project involves runway development in the Solomon Islands, where New Zealand is investing up to NZ$20m over the next two years in the redevelopment of the Munda and Nusatupe runways (as well as the rehabilitation of Noro-Munda road in the Western Province). According to the Solomon Island Joint Commitment for Development, the intended outcome of this investment is to improve “transport infrastructure connecting communities to markets and services”. One has to wonder whether improving these runways will indeed be for the benefit of connecting communities to markets and services between the outer and main islands or if it is more likely that tourists are the primary intended beneficiaries, ensuring there are secondary airstrips large enough to accept international aircraft in an emergency. Even if the runway results in increased tourist arrivals, without inclusive, integrated investment in the Solomon Island tourism sector in Munda, it is questionable how the poorest people in the area will benefit.

Relevant, inclusive and integrated infrastructure can benefit a wide range of people. But questions remain regarding who is being targeted to benefit from NZ’s increased emphasis on infrastructure as a tool for economic development in the Pacific and, more importantly, who is actually benefitting. It is important to consider the appropriateness of the infrastructure projects being implemented as well as how the needs of the beneficiaries are being assessed. One study from Fiji shows the complexity of these considerations: tourism infrastructure in Fiji has high foreign ownership, which leads to 60 per
cent of all tourism earnings flowing out of the country (Scheyvens & Russell, 2010). Careful thinking and consultation is necessary in order to clearly ensure that local people, particularly the poor, benefit from infrastructure that is appropriate for them.

Another answer to the question of who benefits from NZ's focus on economic infrastructure could be that New Zealand does. Infrastructure is tangible. It is big and impressive, and looks good in photos. It also takes many years to start to fall apart. It is easy to ‘sell’ the NZ Aid Programme's successes to the New Zealand public and look efficient. A focus on infrastructure also creates opportunities for NZ companies, such as consultants and contractors, to bid for funding-intensive aid projects. It gives companies the chance to assist with meeting the bottom line and provide interesting challenges in their technical area of work. Engaging these companies will contribute to the New Zealand economy, but they may not necessarily see themselves as development professionals and therefore have an interest in contributing to inclusive development.

Minister McCully has often talked about involving New Zealanders more in aid and has structured the NZ Aid Programme to have an increased focus on partnerships with the private sector. Five of the six preapproved constructions firms are NZ-based companies, while the sixth is Australian. The Aid Programme's rationale is that by working through large, international (and particularly NZ based) companies, NZ is able to get the “best bang for our buck” (McCully, 2011b). For an aid agency, focussed on development outcomes, the ‘best bang for buck’ needs to be assessed differently to the straightforward commercial calculation of value for money or cost-benefit analysis. Development outcomes need to be at the centre of these calculations – not which company will do the job quickest and cheapest.

Smaller, locally based firms may face higher costs and have less experience, and therefore lose bids to larger overseas firms who are more likely to have greater resources and the capacity to handle larger infrastructure packages. However, engaging local firms may have greater development outcomes, such as through supporting local businesses, and building sustainable local capacity for on-going maintenance or for taking on these sorts of projects themselves in the future. Hybrid approaches may also have promise, where an overseas firm works alongside the local firm to expand their capabilities. But these approaches will cost more and take longer, even if they may have greater potential development impact. This needs to be factored into calculations on value for money.

Concluding Thoughts
Infrastructure is a critical means to achieving sustainable development, for which the New Zealand Aid Programme provides significant support throughout the Pacific. With the introduction of sustainable economic development as its primary focus, the Aid Programme’s emphasis on infrastructure, too, has shifted towards larger infrastructure packages that aim to enable economic growth. Enabling growth is key for development, but a narrow economic focus on infrastructure that does not also address the social and environment aspects of development is unlikely to result in sustainable infrastructure for all.

In order for infrastructure development to truly be sustainable, inclusive, coordinated and relevant, donors must base their actions on lessons learned from the past. These lessons include the importance of: providing on-going support and assured funding for maintenance and building local maintenance capacity; recognising and combating corruption by supporting good governance; a coordinated donor approach to infrastructure; and ensuring that infrastructure is inclusive, relevant and targets those
who need it the most: the poor. Without clear emphasis on reviewing and improving on past practices, it should be asked: is the NZ Aid Programme building on lessons learned or simply reconstructing past mistakes?

References


