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Asset Management Standards Project
Management of Public Assets – A Systemic
Framework

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SYNOPSIS

Small cities can no longer be managed as discrete entities.

The people within these cities connect to each other and the world using roads and airports, telecommunications and ports, energy grids, rivers and seas in which governments, private corporations and communities have invested.

Cities are managed within a larger context of international trade, financial markets, growing populations, and complex inter-relationships among suppliers and users of various assets.

The main challenge is to ensure that assets are ASSETS and not disguised LIABILITIES.

The Asset Management Project began as a means of identifying the standards against which various types of built assets are managed. This “object focussed” approach was soon found to be inadequate and the project scope was broadened. It now addresses governments’ management of all public assets, including the legislative impact on privately controlled assets. It addresses the government’s management of economics assets, inventories, built assets, including infrastructure, historical collections, natural assets, human capital and social capital.

The intention is to prepare guidelines for governments to apply in identifying trade-offs between various parts of the stock of public assets in making decisions.

This paper reports on the progress to date including:

- (i) the size of the asset base,
- (ii) the various groups and individuals with a stake in public assets,
- (iii) the complexity of these assets and
- (iv) ways they are being managed.

1. Introduction

In September 2010 the Honorary President of EAROPH Mr. KC Leong decided to develop a conceptual framework within which The Asia Pacific Institute of Good Asset Management (APIGAM) would deliver training in asset management.

At the November 2010 EAROPH Congress in Adelaide, I proposed that a methodology be developed to assist nations to identify the full costs of their asset stock over the life of the assets. These costs include the assets' whole-of-life economic, social, cultural and environmental costs of government decisions and private decisions made within a legislated framework.

A crucial question invariably arises, which is, "Does the physical infrastructure governments are approving fit in with the real definition of the term "ASSETS", or are they merely "LIABILITIES" in disguise?

The classes of assets that all governments are expected to manage have grown in the last thirty years. Public policies, systems and procedures, methodologies and tools have not yet kept up-to-date with that growth. Public servants need guidance that accords with already accepted international frameworks if they are to meet these expectations.

Through the asset management project, a framework for the integrated management of all public assets will be developed. This will be designed to meet the needs of governments in the Asia Pacific region.

The key issues that led to the project are:

1. The initial cost of the stock of public assets is worth trillions of dollars. Given the whole-of-asset-life costs are 17 to 20 times the capital costs¹, the public's investment in public assets in the Asia Pacific is large.
2. There is a need for a framework within which governments can manage this large stock of public assets.
3. Decisions to acquire or create and fund infrastructure projects and other public assets are being made without the benefit of the full costs of the projects over their lifetime. Costs include the operation, maintenance, upgrading and renewal of infrastructure.
4. A growing population calls for more infrastructure. Yet, infrastructure affects natural assets, and the full impact of infrastructure for a growing population on eco-system services together with their impact on human and social capital must be closely managed.
5. There has been a tendency for governments to seek funding for the construction of infrastructure, on the assumption that the economic activities, including jobs generated by the projects, will lead to higher tax revenue and hence fund the ability of governments to operate and maintain the resulting public assets.
6. Capital budgets are given political support before the whole-of-life costs are calculated. Indeed, some projects are "talked up" so that investors' interests are sacrificed to the interests of those with most to gain in the short term.

¹ KC Leong 2004. *The Essence of Asset Management – A Guide*, UNDP, EAROPH, APIGAM, p51.
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Others are built, not to last or to minimise the maintenance costs, but to minimise the construction costs.

7. Having said that, general accountability mechanisms, such as legislative approval, are not yet operating to prevent investments in projects that exceed the nation's ability to pay.

The United Nations (UN) agencies and other international bodies regularly report on public assets, and are developing new methodologies to assist national governments adapt to changing expectations. National governments and professional bodies are also developing new approaches to managing public assets.

But all this work on managing public assets begins at home – in our cities, towns and homes.

To answer this question, we need better governance of public assets: access to reliable information, skilled human resources and decision-making structures. With better governance we can build a world in which humans contribute to the vitality of the planet, its biodiversity and resources.

This paper argues for a wider definition of public assets, and the whole-of-life costing of all assets so that trade-offs between and among them will result in sustainable human settlements within a rich and diverse environment.

Section two identifies the importance of small and medium cities in the Asia-Pacific region.

Section three records the population of the region and anticipates the future needs for public assets.

Section four describes the five classes of public assets whose management is necessary to the needs of the population are to be met.

Section five identifies the various bodies and institutions with an interest in the management of public assets.

Section six summarises the ways governments manage public assets.

Section seven provides a description of the asset management project that addresses the needs of government of the region for governance of their public assets.

Section eight lists the next steps if the project is to address the needs of governments in the region for governance of public assets.

2. Small Cities as Public Asset Systems

“Self sustaining small human settlements”, independent of all other settlements, seems to be a fantasy. Nowhere, not even on the remotest Pacific Island, do humans live independently of others. We are social creatures and rely on the natural environment for fish stocks, forests and waterways we face challenges together. We share food and we grieve together.

Small cities link to larger cities and to rural areas. People move to gardens, to restaurants, to work and to family members and friends in far away places. Living our

full lives we use public infrastructure: roads, bridges, culverts, drains, canals, ports, airports, train lines, schools and hospitals, energy and water supplies.

When people move from rural areas into town, they learn of the benefits of town living. They see bitumen roads to their door, kerbing and channelling, sewerage and wastewater treatment, storm water drains and rubbish collection. Rural areas manage these services differently. There is more independence in the design and operation and less government involvement.

The management of cities is crucial to our economic development, our social cohesion, our the well-being, not only of human settlements, but of the environment. The 2011 Asia Pacific Cities Summit was held because, “in many ways, competition for investment, skilled workers and business is increasingly between cities rather than between countries²” and the “bilateral relationships among our region’s cities are the cornerstone of economic and trade relations between nations³”.

Cities managers now face the challenge of providing services to a rising population within the same footprint, or the reduction of rural land at a time when the natural environment is becoming degraded and stressed. And this is a time in human history when our reliance on a vibrant and diverse natural environment is most obvious.

People want cities to keep pace with rapid technological change, to anticipate the community’s needs and to create networks that connect people, knowledge and services (Mayors Forum 2011). Cities, like national governments, are grappling with these issues. To achieve these expectations, the governments of the region are carefully planning the infrastructure within and among cities, nations and throughout the region.

Infrastructure Australia states:

“Cities are now part of the infrastructure we manage. Australia relies heavily on the productivity of its cities for national prosperity. The majority of our population and businesses are located in urban areas, and our cities are hubs of economic activity that link Australia to the global economy.

The rapid growth and development in these hubs has imposed challenges relating to patterns of growth, water supply, urban congestion, patterns of advantage and disadvantage, climate change and adaptation, and pressures on public finance. Australia’s transport systems are especially struggling in the face of these challenges with public transport growing rapidly in recent years and reaching capacity limits in most major cities⁴.”

Cities are increasingly being seen to be public asset systems, however small they are.

In addition to public assets managed by local government and city governments, infrastructure systems are provided nationally: transport, energy, telecommunications, water supply and waste management.

Small communities, such as indigenous communities, are also managed as whole systems. In Australia: “Many of Australia’s Indigenous communities do not have

² <http://www.apcsummit.org/files/pdf/2011-APCS-Mayors-Forum-and-Accord-FINAL.pdf>

³ <http://www.apcsummit.org/>

⁴ <http://www.infrastructureaustralia.gov.au/cities/>

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infrastructure plans, even for the provision of reasonable road access and water supply.

Adequate roads, public transport, communications, water supply, and electricity infrastructure in Indigenous communities is essential to ‘close the gap’ between the health and well-being of Indigenous peoples and that of the non-indigenous population. There is a need to consolidate best practice in order to provide a framework for regional delivery that engages with Indigenous people in remote communities through processes, training and management models that will deliver long term, ongoing and sustainable employment and business development options.”⁵

Australia considers “It is in the national interest to work with Indigenous communities to develop, fund, and implement community infrastructure plans. These plans should complement regional infrastructure plans that establish regional or jurisdictional priorities.”⁶

Long gone is the idea that public assets are objects. They are networks of systems that are interrelated with other systems. This complexity must be managed systemically – not only to ensure services are available to all asset users and the public services they support, but also to take into consideration the future growth and movement of our population; one of the main factors affecting the region’s diversity and complexity.

3. Public Assets for a Changing Population

Just over 4.2 billion people live in the Asia Pacific region in 2010; 61% of the world’s population⁷.

The average annual population growth in the Asia-Pacific is the lower than the world’s average, being only 1.0% in the period to 2010. There is, however, wide variation among countries in the region. The population growth in the Pacific islands continues to be high, as does that in South and South West Asia.

⁵ <http://www.infrastructureaustralia.gov.au/indigenous/>

⁶ <http://www.infrastructureaustralia.gov.au/indigenous/>

⁷ <http://www.unescap.org/stat/data/syb2011/I-People/Population.asp>

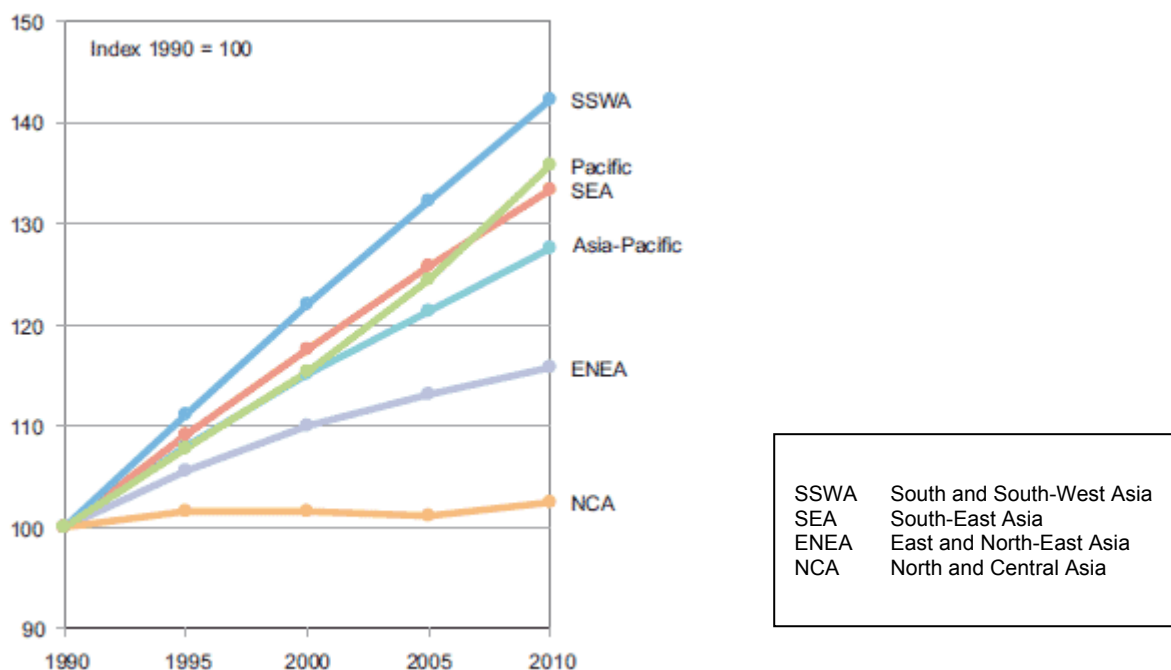


Figure 1: Index of population, Asia-Pacific subregions, 1990 to 2010
 Statistical Yearbook for Asia and the Pacific 2011⁸

Yet it is not a static population. In 2010, Asia and the Pacific is the second least urbanized region of the world, with only 43% of the population living in urban areas. However, it has the second fastest urban population growth rate, at an average of 2% per annum (2005-2010)⁹.

Across the region, the growth rate varies dramatically. The cities in South East Asia are growing at 2.2% per annum. Rural areas are becoming urban. And cities are both contributing to and affected by climate change.

In Brunei Darussalam 74% of the population live in urban areas. The population of cities and towns is growing at 2.4% per annum. 69 people live on average on each square kilometre of land.

High levels of urbanisation and rapid economic growth go together. Most of the Asia Pacific urban population live in secondary cities and small towns. As of 2009, 60% of the urban population in continental Asia lived in cities with a population fewer than one million.

The UN Statistical Yearbook also records international migration for the region. It states:

“In 2010, Asian and Pacific countries collectively hosted a foreign population of 53 million persons. This figure is similar to the 1990 figure, two decades ago. Worldwide international migration has been steadily increasing over the last two decades, thus the Asia-Pacific share of the global foreign population has proportionally decreased over time – from roughly 34% of the world’s foreign population in 1990 to 25% in 2010. Considering that 61% of the world’s population live in the Asia-Pacific region, these figures are relatively low.”

⁸ <http://www.unescap.org/stat/data/syb2011/I-People/Population.asp>

⁹ <http://www.unescap.org/stat/data/syb2011/I-People/Urbanization.asp>

Life expectancy in the Asia Pacific is high with adults in most countries in the region living to at least 70yrs. Some are living to over 80 years. With this increasing life expectancy the proportion of population that is elderly has been steadily increasing.

One of the main challenges facing governments in the region is that “the number of older persons (age 65 and above) in the region is estimated to increase threefold, from 420 million in 2010 to almost 1.3 billion by 2050, by which time older persons are expected to constitute almost 25% of the total regional population.¹⁰” This provides a challenge for small cities and town.

This relatively stable but aging population in the Asia Pacific is demanding public assets different to that demanded by previous generations. It seeks connectivity through information and communications technology, transport and tourism. The young people are staying at school longer but there is still a high number of illiterate adults in the Asia Pacific Region. Understandably the demands for health care, transport and clean water is driving new investments in public assets.

Built assets alone cannot meet the needs of the population.

The way we govern and the relationships we form must adapt. For example, Australia has been managing its growing population by slowly centralising its planning of infrastructure and access to key resources, particularly water. Local governments have been amalgamated, and the State and National Governments are preparing Infrastructure Plans¹¹.

Australia is also a party to a number of agreements that seek to build a more sustainable Asia Pacific Region. For example, the *Green Jobs in Asia Project* of the International Labour Organisation¹² is committed to transitioning work and workplaces toward a low-carbon, sustainable and environmentally sustainable future development across Asia and the Pacific¹³.

4. Classes of Public Assets

Do you count what can be counted, rather than what counts? (Einstein)

Governments have traditionally managed borders, land, trade and monetary assets. With the introduction of information and communication technology (ICT) people expect there will be greater transparency and accountability of governments’ management of public assets. The way governments manage public assets is changing to not only capture the benefits of ICT but also to continue to provide the public services required by the population.

Governments manage a wide range of skilled people in delivering public services. For example, the World Bank has been developing a land governance assessment framework¹⁴ to help governments address the challenges they face in managing land. Land is a technically complex asset to manage as it requires the skills of “many disciplines such as law, information technology, geodesy, geomatics and surveying,

¹⁰ <http://www.unescap.org/stat/data/syb2011/I-People/Population.asp>

¹¹ http://www.infrastructureaustralia.gov.au/infrastructure_plans/

¹² http://www.ilo.org/asia/whatwedo/projects/WCMS_146311/lang--en/index.htm

¹³ http://www.ilo.org/asia/WCMS_159346/lang--en/index.htm

¹⁴ <http://www.landequity.com.au/publications/Land%20Governance%20-%20text%20for%20conceptual%20framework%20260508.pdf> and <http://siteresources.worldbank.org/EXTARD/Resources/336681-1236436879081/5893311-1271205116054/SelodNewPaper.pdf>

economics, urban planning, anthropology environmental, social, and political science”¹⁵.

This technical complexity of public assets exists in a context in which there is a need to make trade-offs; there is political sensitivity and, in many cases, institutional fragmentation¹⁶.

Advances in ICT mean governments can now manage public assets with similar rigour to that with which they apply to their management of finances. But merely tracking and reporting services is insufficient. Governments must also deliver the serviced needed by the population where they live. This requires careful management of all public assets.

The project team has identified the following five classes of public assets:

- ▶ Financial assets owned by the public sector such as monetary assets (currency reserves, deposits and (in some countries) stocks and bonds), other financial assets (receivables, inventories);
- ▶ Built assets:
 - Operating assets such as motor vehicles, office equipment, machinery and buildings that departments control and use to achieve their objectives.
 - Infrastructure assets such as transport, telecommunications, energy, water and waste management that departments, government corporations and private firms manage on behalf of the government to deliver services.
- ▶ Natural capital in the form of land, natural resources (air, forests, fisheries, waterways) and the ecosystem services it provides;
- ▶ Human capital as determined by the education and general well-being of a country's people; and
- ▶ Social capital is the complex web of social networks and institutions that shape our interactions¹⁷.

None of these classes of assets can be managed independently of the other classes. The following diagram illustrates the crucial importance of natural assets in a well-functioning community.

Governments use many internationally accepted frameworks to monitor each of these assets.

A description of the ways these public assets are being measured follows.

¹⁵ <http://siteresources.worldbank.org/EXTARD/Resources/336681-1236436879081/5893311-1271205116054/SelodNewPaper.pdf>

¹⁶ <http://siteresources.worldbank.org/EXTARD/Resources/336681-1236436879081/5893311-1271205116054/SelodNewPaper.pdf>

¹⁷ See Appendix A for accepted definitions.

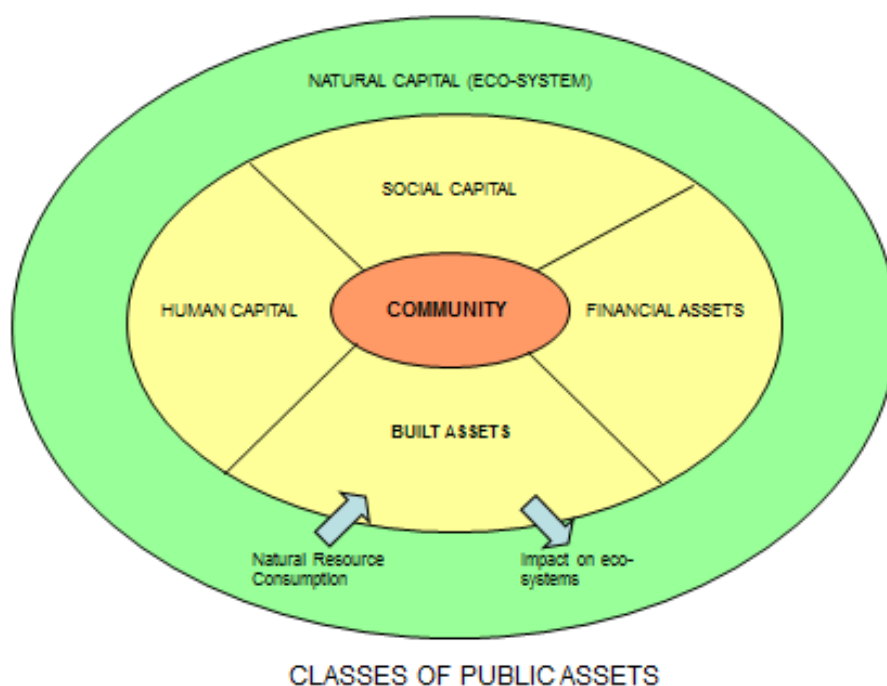


Figure 2: Classes of Public Assets

Financial Assets

Public financial assets are reported in accordance with the United Nations System of National Accounts (SNA), the Government Finance Statistics (GFS) and the International Public Sector Accounting Standards.

The SNA is used by each government to prepare a set of accounts (national accounts) to record the economic assets owned by all entities within a nation: public and private, voluntary and households¹⁸.

The public sector in the SNA is “the national, regional, and local governments plus institutional units controlled by government units”.

The national accounts presents (1) stocks of assets and liabilities in a balance sheet for the total domestic economy and its major sectors at the beginning and end of an accounting period and (2) the principal economic activities occurring within the accounting period in several flow accounts¹⁹. The definition of assets used by the SNA is:

An asset is a store of value representing a benefit or series of benefits accruing to the economic owner by holding or using the entity over a period of time. It is a means of carrying forward value from one accounting period to another. (SNA 2008 3.30)

To be included in the national accounts, an asset has to have a market value.

¹⁸ A liability is established when one unit (the debtor) is obliged, under specific circumstances, to provide a payment or series of payments to another unit (the creditor). UNSNA 2008: 3.5.

¹⁹ <http://unstats.un.org/unsd/nationalaccount/AEG/papers/m3Delineation.pdf>

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The Government Finance Statistics (GFS) is “designed to provide statistics that enable policymakers and analysts to study developments in the financial operations, financial position, and liquidity situation of the general government sector or the public sector in a consistent and systematic manner”²⁰. The GFS uses SNA definitions. The GFS Balance Sheet reports financial and non-financial assets.

“The Balance Sheet for the general government or public sector is a statement of the stocks of financial and nonfinancial assets owned, the stock of claims of other units against the owners of those assets in the form of liabilities, and the sector’s net worth, equal to the total value of all assets less the total value of all liabilities”²¹.

All assets recorded in the GFS system are economic assets. It reports both financial and non-financial assets and includes a wider range of assets than normally owned by private organisations. It includes general purpose assets, infrastructure and heritage assets²².

The International Public Sector Accounting Standards (IPSAS) have been developed to help countries account for their transactions and, more recently, their resources.

The accounts of cities and towns usually comply with legislation and procedures designed to meet these overarching statistical rules and definitions.

The financial statements of some governments in the region include all assets controlled by the government²³. These annual financial statements report, in addition to financial assets and liabilities, non-financial assets and liabilities such as plant and equipment, land and buildings and collections as well as intangible assets and infrastructure. They provide a financial value of the built assets controlled by the public sector²⁴.

Built Assets

Built assets are generally described in terms of how much they cost to construct or replace. For example, the Asian Development Bank (ADB) estimates that Asian countries have need for over \$4.7 trillion in infrastructure in the years 2006 to 2016: \$3.2 trillion for new capacity and \$1.6 trillion for replacing existing infrastructure²⁵.

Built assets include operational assets of public sector entities, and the infrastructure, whether controlled by the public sector or private firms, governments manage, whether directly or through legislation, to provide services. Asset registers are a crucial tool to the management of all built assets. And assets are managed to meet the requirements of warranties provided by suppliers as well as national and international standards. Details of these are usually recorded in the asset register.

²⁰ <http://www.imf.org/external/pubs/ft/gfs/manual/pdf/all.pdf> Para 1.7

²¹ GFS para 1.14

²² GFS para 7.10

²³ See The Financial Statements of the Government of New Zealand at www.treasury.govt.nz

²⁴ Governments are accountable for the public sector. Some entities have been established to operate at arms-length from the control of the government of the day. Entities such as supreme audit institutions and the departments of the legislature, while outside the “control” of the government of the day, are, for financial reporting purposes, consolidated into the financial statements of the government aka public sector.

²⁵ Menon, J. 2009, Regional Efforts to Create an Attractive Investment Climate, Presentation to Session III: Creating an Attractive Investment Climate in Southeast Asia, 2nd OECD-Southeast Asia Regional Forum, “Enhancing Competitiveness through Regional Integration” April 27-28, 2009, Bangkok Thailand. <http://www.oecd.org/dataoecd/29/35/42711974.pdf> Last accessed 4th September, 2011.

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For example, facilities managers are measuring their building's performance against new environmental ratings tools such as the Australian National Australian Built Environment Rating System (NABERS)²⁶ and Malaysia's Green Building Index²⁷. The Australian Green Infrastructure Council (AGIC) also has developed a rating scheme to secure a rating for a range of infrastructure. Records of asset performance are required if organisations are to demonstrate they are achieve the ratings sought.

A range of professional standards are applied in managing infrastructure.

Detailed reports on infrastructure are generally kept by the government departments responsible for its construction and maintenance. Construction and maintenance are generally the responsibility of separate departments.

There are a range of frameworks used in managing each type of built asset. One of the project's outputs will be a wiki of available frameworks and other resources.

Governments allocate funds, not only to help construct buildings and other infrastructure, but also to build capacity through social infrastructure and services, economic infrastructure and services, production sectors and multi-sector / cross-cutting issues that include urban and rural development²⁸.

Yet, as obvious as it may be, it is worth repeating that all these services depend on the existence of a rich and diverse environment.

Environmental Assets

*Mehemea Kei te ora a Papatuanuku ka ora te tangata
(If we nurture Mother Earth then she will nurture us)*

State of the Environment reports are being prepared by national governments using information provided by local and city governments. They report against environmental indicators designed to simplify, quantify and communicate complex environmental data, and in so doing, tell us about the state or quality of the environment²⁹. The Organisation for Economic and Cultural Development (OECD) provides leadership in the development of indicators to measure environmental performance³⁰. The OECD Outlook for the year 2030³¹ provides a one page overview of the environmental issues to be managed by its member countries. Asia-Pacific members are Japan, Korea, Australia and New Zealand.

Human Capital

Human capital is the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being³². Human capital resides in individuals in the form of knowledge, skills and other attributes.

²⁶ <http://www.nabers.com.au/>

²⁷ <http://www.greenbuildingindex.org/>

²⁸ OECD, Overseas Development Aid by Sector

http://stats.oecd.org/Index.aspx?DatasetCode=ODA_SECTOR

²⁹ New Zealand Ministry for the Environment <http://www.mfe.govt.nz/environmental-reporting/about/tools-guidelines/indicators/> last accessed 4th September, 2011.

³⁰ OECD Environmental Indicators and Outlooks

http://www.oecd.org/topic/0,3373,en_2649_34283_1_1_1_1_37465,00.html last accessed 4th September, 2011.

³¹ OECD Environmental Outlook to 2010

http://www.oecd.org/document/20/0,3746,en_2649_37465_39676628_1_1_1_37465,00.html last accessed 6th September 2011.

³² OECD definition.

The OECD is providing leadership in the development of ways of measuring human capital³³. Human capital is recognised as one of the assets that contributes to sustainable development. Investment in human capital is an investment in future jobs and earnings, especially for those people who face the greatest risk of poverty and exclusion³⁴.

The United Nations Development Programme (UNDP) annually publishes the United Nations Human Development Report.³⁵ It is extending its methodology to better reflect the state of the world's human development.

Social Capital

Social capital refers to the norms and networks that enable collective action. It encompasses institutions, relationships and customs that shape the quality and quantity of a society's social interactions³⁶.

Much attention has been given to the development of social capital in post conflict states with civil society being recognised as a partner of governments and international agencies³⁷. Five key dimensions have been identified as useful proxies for social capital – groups and networks, trust, collective action, social inclusion and information & communication. The World Bank has developed two social capital measurement tools to inform the bank's operations³⁸. There is much conceptual work to be done to achieve an international report on the level of social capital in each country.

Governance is a key part of social capital. As “social capital resides in social relations and value systems” and “Political, institutional and legal conditions (PIL) describe the rules and institutions in which human and social capital work are embedded and work³⁹”, these are also key aspects of governance.

Governance

If governments are to manage the sustainable development of their nations, they will need a way to identify, record, manage and report the stock of all public assets. The expectation that governments will manage sustainably provides a challenge for executive bodies to take into consideration, not only the expenditure on capital projects, but also their whole-of-life cost and the trade-offs across other classes of

³³ Human capital accounting
http://www.oecd.org/LongAbstract/0,3425,en_2649_39263294_33702586_119699_1_1_1_00.html last accessed 4th September, 2011.

³⁴ Workshop on the Measurement of Human Capital, Turin 2008
http://www.oecd.org/document/39/0,3746,en_2649_33715_41153767_1_1_1_00.html last accessed 4th September, 2011.

³⁵ See <http://www.beta.undp.org/undp/en/home/librarypage.html> for Human Development Reports.

³⁶ World Bank, Social Thematic Group,
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTTSCIALCAPITAL/0,,contentMDK:20642703~menuPK:401023~pagePK:148956~piPK:216618~theSitePK:401015_00.html last accessed 4th September, 2011.

³⁷ The UN and NGOs are partnering in post conflict states and continue to work through the various International NGO Forums, and other joint Committees.

³⁸ World Bank, Social Capital Measurement Tools,
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTTSCIALCAPITAL/0,,contentMDK:20193049~menuPK:418220~pagePK:148956~piPK:216618~theSitePK:401015~isCURL:Y_00.html last accessed 4th September, 2011.

³⁹ Woolcock, M. “The Place of social capital in Understanding Social and Economic Outcomes”, See:
<http://www.oecd.org/dataoecd/5/13/1824913.pdf>

public assets. The project outputs will include workshops at which governments throughout the region can share the methodologies they are applying to ensure sustainability of their nation's public assets.

Many countries have a lot of work to do. The accounting firm Price Waterhouse Coopers (PWC)'s United Kingdom (UK) office in reporting on the stock of the UK's public assets, says: "As a nation, we are unclear on the level of investment needed in our public assets primarily because we do not actually know the value of much of our existing asset base or the cost of maintaining it⁴⁰." The UK government is not alone.

Without an overarching conceptual framework governments will continue to trade-off investment in one class of assets against another without knowing whether the investment results in an overall reduction or increase in public assets. In addition, without detailed knowledge of the assets and their condition, it is difficult to budget for their operation and maintenance.

Recording cities as public assets adds to the complexity of managing public assets.

Size of Public Assets

How do cities and governments know the public assets to which they contribute? And is "more" always better? If \$US4.7trillion is to be invested to meet the need for infrastructure in Asian countries in the coming years, how much more is to be spent on education, health and government administration and on reversing environmental degradation and protecting biodiversity and natural resources?

Governments have yet to develop the capacity to report on public assets in a manner that will give us a complete and reliable value of public assets.

The gross domestic production (public and private sectors) (GDP) of the People's Republic of China in 2009 was \$US5,000 trillion. GDP of the whole of Asia for 2009 was \$US17,000 trillion.

New Zealand, where some of the data is available, had an annual GDP in 2009 of \$US116 billion. Its stock of public assets valued in its financial statements is \$US217billion.

Extrapolating the New Zealand ratio⁴¹, we can estimate that the value of publicly controlled assets in Asia alone approximates 187% of GDP or, in 2009, is **\$US32,000 trillion**.

This value is a snapshot of assets controlled as at the end of the financial year⁴². It does not indicator the full cost of the asset. If the whole-of-life costs of built assets are 17 – 20 times their current value, the cost to the governments of these assets is about **\$US640,000 trillion** over their life-time.

The annual value of financial assets is an incomplete figure. It does not include the value of human capital. The OECD estimates that human capital is worth about three

⁴⁰ PWC, 2011, Flexing the Abs: Sustaining an affordable asset base for UK plc, See: <http://www.pwc.co.uk/eng/publications/flexing-the-abs.html>

⁴¹ In the absence of a better proxy, this provides us with an indication of the overall size of public financial and built assets.

⁴² If you think this is a fruitless exercise, consider the onus on governments to replace infrastructure after natural disasters. For example, after the series of earthquake in New Zealand, Christchurch City has had to replace its water reticulation system. Sichuan in China has faced a similar problem, as had Fukushima in Japan.

times the value of physical capital⁴³. Even if we adapt the figure to take into account the higher illiteracy rate in Asia, a figure of two would mean human capital in Asia alone is about **\$US64,000 trillion**.

There is limited data on the value of social capital, and on publicly controlled natural capital and their eco-systems. The Millennium Eco-system Assessment (MA) project noted that:

Current decision-making processes often ignore or underestimate the value of ecosystem services. Decision-making concerning ecosystems and their services can be particularly challenging because different disciplines, philosophical views, and schools of thought assess the value of eco-systems differently⁴⁴.

What value do we put on clean air, clean water, land, forests etc? We can identify the cost of maintaining an asset, or to prevent further degradation. We are not yet able to reliably estimate the value of eco-systems to human life on earth.

Whether we assess these on the basis of their value to individual humans, or on their replacement cost we can estimate that natural capital is worth orders of magnitude of our other public assets.

The asset management project aims to assist governments to manage the sustainability of their public assets through developing tools and assessment criteria that capture data already collected and format it in a manner conducive to monitoring and reporting on the stock of public assets. To provide useful reports, it's crucial to understand the people who use them: the stakeholders.

5. Stakeholders

Sustainable development cannot be achieved when we work in silos: professional, organisational, institutional or even national. To achieve sustainability of life on earth we must find ways to systemically manage the inter-relationships among public assets, their maintenance and operation.

Who is working towards the sustainability of public assets?

Sustainability has a range of meanings from “financial sustainability⁴⁵”, “long term financial planning⁴⁶”, “economic sustainability and social well-being⁴⁷” to “adapting to

⁴³ OECD Statistics Directorate DRAFT Measuring the Stock of Human Capital for Comparative Analysis: An Application of the Lifetime Income Approach to Selected Countries., p 26.

⁴⁴ <http://www.maweb.org/documents/document.765.aspx.pdf> MA Conceptual Framework para 1.4

⁴⁵ See for example, ADB Handbook for Economic Analysis for Water Supply Projects, 8.2 http://www.adb.org/documents/handbooks/water_supply_projects/Chap8-r6.PDF last accessed 6th September, 2011.

⁴⁶ Government of Western Australia, Department of Local Government. 2011. Long term Financial Planning: Framework and Guidelines. integratedplanning.dlg.wa.gov.au/AboutIntegratedPlanning.aspx last accessed 6th September 2011.

⁴⁷ Gale, R and Milham, N. 2009. Monitoring, evaluation, reporting and improvement (MERI) as an integrated assessment tool: Improving socio-economic and biophysical outcomes in investment decisions in natural resource management (NRM), Working Paper 5 www.industry.nsw.gov.au http://www.dpi.nsw.gov.au/_data/assets/pdf_file/0009/349074/Working-Paper-5-Gale-Milham.pdf last accessed 6th September 2011.

climate change⁴⁸. The concept also includes the next generation (Brundtland⁴⁹) and the preservation of ecosystem services (MA Panel⁵⁰).

There are many government, civil society, multilateral and international stakeholders. Professional bodies, Asset Management bodies and academic institutions as well as non-government organisations (NGOs) have a key stake in the governance of public assets.

National bodies, regional bodies and international bodies represent the views of their members and have their own stake in the management of public assets. Appendix A provides a list of the types of bodies that have a stake in the management of public assets. The list is, as yet, incomplete.

The project aims to involve the major international stakeholders, for example, UNDP, International Federation of Accountants (IFAC), ADB, OECD, International Council of Museums (ICOM) and MA to ensure the project reflects the various international standards being applied to the management of public assets.

Developing useful reports on public assets requires good knowledge of the information needs of the stakeholders, and if these needs are currently being met with specially prepared reports, or whether a general report is required.

In managing public assets, governments rely on stakeholders to provide services to the public.

6. Management of Complex Public Assets

Governments make use of information from many sources. Identifying the need for action does not readily translate into increased capacity. Building capacity takes time and requires the on-going commitment of governments, with the bipartisan support of political actors.

Governments at all levels manage public assets in the following ways:

1. Legislative power – establishing the institutions and their mandate in making decisions. Legislatures establish agreed boundaries within the regulatory framework within which the public manage their private assets and undertake their work; e.g. planned development, use of land, air quality, land use.
2. As stewards of public assets for future generations - for example in their management of marine parks, national parks, museums, galleries and libraries' collections.
3. By applying operating assets to deliver public services; for example buildings, motor vehicle fleet, office furniture and equipment.

⁴⁸ CSIRO, Urban Sustainability in Asia <http://www.csiro.au/science/Urbanisation-In-Asia.html> last accessed 6th September, 2011.

⁴⁹ “Sustainable development is development which meets the needs of the present without compromising the ability of future generations to meet their own needs.” See: Drexhage, J and D. Murphy 2010 Sustainable Development: From Brundtland to Rio 2012 http://www.un.org/wcm/webdav/site/climatechange/shared/gsp/docs/GSP1-6_Background%20on%20Sustainable%20Devt.pdf last accessed 6th September, 2011.

⁵⁰ MA 2005. Ecosystems and Human Well-Being: Synthesis <http://www.maweb.org/documents/document.356.aspx.pdf> last accessed 6th September, 2011.

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4. By delivering Infrastructure through planning, designing and organising the building and maintenance of infrastructure; for example, water supplies, energy market, international gateways, freight network and telecommunications.

Governments apply conventions and rules in making executive decisions. These usually take into consideration the impact of those decisions on national objectives and the public interest.

The changing expectations of governments in their management of public assets are managed within this context - one that contains many, and varying, guidelines on the accountability of government and their entities, legislative requirements, management practices, protocols and conventions.

The various guidelines are influenced by different professionals. For example a government's policy or approach to managing for sustainability may be led by scientists, developers, lawyers, accountants, or engineers. The push to implement regional or international methodologies may, or may not, ensure the overall sustainability of eco-systems.

The risks in not managing land, eco-systems and other public assets sustainably are now prohibitively high. Loss of eco-system services may be irreversible. Land degradation, the long-term loss of eco-system function and services which are vital for human existence⁵¹, may lead to entrenched poverty, the degradation of social capital and to other avoidable costs.

By carefully managing public assets, and applying protocols that take into consideration the impact of decisions on eco-systems and other public assets, governments may reverse the current declining trend in land productivity, increasing land degradation, the loss of human capital, natural capital and social capital⁵².

By developing a management framework that incorporates the principles of sustainability into the management of public assets the project can assist governments to monitor their public assets in the short, medium and long term.

Cities, being closest to the people, are probably the best place to begin.

7. Management of Public Assets – A Framework

The best possible outcome of the project is that humans add to the vitality of the planet, its biodiversity and its resources.

The goal is to achieve the sustainable development of the built, social and natural environment.

The strategies proposed are:

1. Prepare a comprehensive framework and clear guidelines for the management of the life-time of public assets.

⁵¹ See: notes of the high-level meeting on addressing desertification, land degradation and drought in the context of sustainable development and poverty eradication held on 20th September, 2011. http://www.un.org/en/ga/president/65/issues/66ga_unccd_hlmtg.pdf last accessed 14th October, 2011.

⁵² 2009, The Importance of Indigenous Peoples in Biodiversity Conservation, World Bank Group See: <http://siteresources.worldbank.org/EXTENVMAT/Resources/3011350-1271279658247/VP1-TauliCorpuz.pdf>

2. Governments develop and use practical tools to systemically manage public assets.
3. International aid projects are designed to achieve sustainable outcomes.
4. There is long-term budgeting of the design, planning, acquisition, operation, maintenance and disposal of public assets.
5. Macroeconomic policies drive good management of public assets.
6. Governance structures ensure externalities (economic, human, social, cultural, and environmental) are considered.
7. Quality consultation is undertaken by all executive bodies.
8. Capacity is available to estimate the full cost and benefits of public assets.

The project will develop a framework which all levels of government can use to manage public assets. It will identify the information that governments need to track the public asset stock over time. The framework incorporates much more than financial criteria.

This framework will include assessment criteria for use by ministers and heads of central agencies and departments, mayors and councillors and related stakeholders to assess their management of public assets. A maturity model will be designed to identify the different stages of development of a government's management of public assets.

Project Scope

The project addresses governments' management of all public assets, including the legislative impact on privately controlled assets. It addresses the government's management of economics assets, inventories, built assets, including infrastructure, historical collections, natural assets, human capital and social capital.

8. Next Steps

The project proposes to:

1. Undertake a comprehensive review of available conceptual and empirical material on the management of public assets. (The preparation of the conceptual framework has begun with the President APIGAM writing a book that addresses the systemic management of built assets.)
2. Organize and conduct workshops to review and collaboratively develop with key stakeholders (including representatives of the case study countries) the conceptual framework, indicators and methodology for an initial trial;
3. Conduct the five country case studies in Brunei, Indonesia, Malaysia, Solomon Islands and Korea (or other countries nominated by the EAROPH ExCo). From these identify the various ways public assets are being managed, and prepare a report which is to be presented at the EAROPH conference in South Korea in November 2012. Phase 2 of the project will be reported at the 2013 regional workshop and phase 3 at the 2014 congress.

Participation

I ask that you consider participating in this project. Participation could be at one of three levels:

- Inform: We will keep your EAROPH national chapter / government informed of how the project is developing
- Consult: Members of your EAROPH national chapter / government would be happy to answer some surveys and participate in interviews throughout the time of the project
- Collaborate: Members of your EAROPH national chapter / government would be willing and interested in the ongoing development of this project, including attending workshops to develop key components of the project.
- Participate: Members of your EAROPH national chapter / government work on the project team.
- Sponsor: Governments provide funding and participate in monitoring the project's achievements.

If you would like to participate, you should contact the Asset Management Framework project team leader Mrs Kerry McGovern at kerry@kmcgovern.com.

Appendix A

Bodies with a stake in the management of public assets

National Bodies

Professional organisations: Accountants, Architects, Bankers, Economists, Engineers, Educators, Environmental Scientists, Facilities Managers, Landscape Architects, Infrastructure Managers, Planners, Surveyors

Governance organisations: Legislatures, National, Sub-National and Local Governments, Inter-Governmental Bodies, Supreme Audit Institutions.

Public Bodies: Museums, Libraries, Galleries, Procurement Oversight Bodies, Defence Materiels organisations, Social Housing Bodies, Land Management Specialists, Health and Education Departments, Treasuries, Central Banks, Issuing bodies.

Civil Society Bodies: NGOs, for example National UN Habitat..

Private Entities: Asset designers, builders, maintenance organisations, developers and distributors, suppliers.

Donors: JICA, AusAID, etc.

Regional Bodies

Professional Organisations: Confederation of Asian and Pacific Accountants (CAPA), ASEAN Federation of Accountants (AFA), PMI Asia Pacific, Pacific Islands Land Professionals Association

Governance organizations: Association of South-East Asian Nations (ASEAN), Commonwealth Local Government Forum (CLGF), Commonwealth Parliamentary Association, Asian Organization of Supreme Audit Institutions (ASOSAI), Pacific Association of Supreme Audit Institutions (PASAI)

Public Representative Bodies: ICOM – Asia Pacific, Asian Planning Schools Association

NGOs: World Vision, Red Cross

Donors and Private Sector Entities: Asian Development Bank

International Bodies

Professions: IFAC, Union of Architects (UOA), International Association of Engineers, International Engineering Alliance, Global Forum on Maintenance and Asset Management (GFMAM), ISOCARP, Global Planners Network (GPN), Global Planning Schools Network, Project Management Institute (PMI), International Organization for Standardization (ISO).

Governance: Public Expenditure and Financial Accountability, International Union of Local Authorities (IULA), United Nations, UN Habitat, EU Commission on Environment, Commission on Sustainable Development

Public Representative Bodies: International Council of Museums (Paris),

Civil Society Bodies: World Wildlife Fund, Agenda 21

Donors and Private Sector Entities: International Finance Corporation (World Bank Group)

International Standards: International Financial Reporting Standards (IFRS), IPSAS, ISO Standards for Business, Government and Society.

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