

# **Speaking notes for ADB presentation on Infrastructure**

**TLDPM 2014, 25 July 2014**

## **Introduction**

My name is Richard Phelps, and I am a Principal Infrastructure Specialist with the Asian Development Bank – based here in Timor-Leste for the past three years. I also spent two and a half years here from mid-2000 and I'm pleased to note that things have changed a lot for the better since then. I work chiefly in the roads sector – so please forgive me if my presentation is a little biased towards roads.

On behalf of the development partners in the Infrastructure Strategic Sector, thank you for providing this opportunity to give this brief overview, to highlight some implementation issues and to offer some suggestions on the way forward.

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In terms of the SDP matrix, the first slide shows who is working where. I apologize for any omission. I will describe the various development partner activities in more detail in the rest of the presentation.

## **Change to Slide 3**

Good roads consistently rate as the top priority in public opinion surveys. The Strategic Development Plan calls for substantial improvements in roads in the early years. Development partner support is already well aligned – and is now poised to deliver a very intensive program of works.

Earlier this year, a 14km length of road between Liquica and Maubare was inaugurated. The standard is significant departure from earlier road projects. The road has been completely reconstructed and upgraded to the higher standard needed to support increasing traffic volumes and vehicle sizes, and reduce vulnerability to damage from floods and other factors. Earlier projects focused more on extending the life of the existing roads through repairs and maintenance perhaps with limited success.

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ADB, World Bank and JICA will support the upgrading of at least 600km of national road (or more than 40% of all national roads) to a similar standard. The total construction cost will be about \$550million – supported by grants, loans and the Infrastructure Fund. A solid pipeline of projects is in place and the tempo will now increase rapidly. Already, another 125km is under construction, or contracts are about to start. These roads include Tibar to Liquica, Karimbala to Loes, and from Tibar to Gleno, (with ADB support) and a 40km-section of the Dili to Ainaro road (with World Bank support). Procurement is under way for a further 270km, including Dili to Baucau (with JICA support) and Manatuto to Natarbora (with ADB support) and Bandudatu to Aituto (with World Bank support). Construction of all of these will start either later this year or in 2015.

In order to maintain this momentum, ADB is supporting design work for upgrading 170kms of road from Baucau to Viqueque and Baucau to Lospalos and Com. This will start by September this year and some sections could be under construction by the end of 2015. All can realistically be completed by mid-2018.

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It is important that infrastructure improvements are inclusive. Rural communities need to be able to access the improved national roads. The Australian government is supporting maintenance, rehabilitation and

upgrading of priority rural roads with technical support from ILO. Progress has been good with 245km either completed or under construction. Through the project, 100 local contractors have been trained in bidding and in construction management and 65 of these are engaged in the work. Labor intensive methods are providing local communities with employment and the skills needed to maintain the roads in future. The project is targeting a total 195km of rehabilitation and 240km of maintained road by the end of 2015. While this is a significant contribution, it should be remembered that there is perhaps 3000kms of rural roads – all of which is in need of attention.

#### **Change to Slide 6**

The project is also helping the government take a longer term view of rural access by preparing a Rural Roads Master Plan which is expected to be completed by March 2015. This will help identify the funding and institutional arrangements that will be needed to ensure rural roads are sustainable.

Finally with regard to development partner support for roads - the European Union is preparing a project for the rehabilitation of about 50km of district level roads which aims to begin work in 2015.

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Moving on to water and sanitation, Australia is continuing to support the Rural Water Supply and Sanitation Program – known as BESIK. A \$40 million second phase is being implemented across Timor-Leste. The project has already delivered improved water supplies to 278,000 people and improved sanitation to 70,000 people.

ADB's support for water is focused on urban areas. Grant financed projects in Dili have upgraded systems to provide 24-hour supply to 8000 households. Upgrades of the systems in Pante Macassar and Manatuto will begin later this year and water supply master plans are being developed for Baucau, Lospalos, Viqueque and Same.

JICA, which supported significant water infrastructure rehabilitation and construction in the past is continuing its support to DNSA through provision of a long-term advisor.

Improving water and sanitation will be a huge job. In Dili and other urban areas, substantial investment and an improved focus on service delivery are needed. In rural areas, improving service delivery, and ensuring good operations and maintenance are key challenges.

Much remains to be done on urban water and sanitation, especially in the Dili urban area which requires substantial investment and an improved focus on service delivery going forward.

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In the maritime sector, September 2013 saw the inauguration of the Government of Japan-supported Oecussi port which provided a new jetty, passenger terminal, and cargo storage. GIZ's continuing support for the Berlin Nakroma and for a second vessel will help ensure continuity of the service. Through GIZ, more than 300 Timorese have received maritime related training.

The International Finance Corporation is helping the government develop a new international sea port at Tibar. The port will be constructed, operated and maintained through a public private partnership. Steady progress has been made in developing the PPP transaction and a project agreement is expected to be finalized in 2015. The new port is expected to be operational in 2019.

To facilitate movement of traffic and goods between Dili and the port, the ADB-supported upgrading of the road from Dili to Liquica has been revised to include construction of a dual carriageway between

Tasitolu and Tibar. Design has been completed and a tender process is underway. Construction is expected to start early 2015.

In the meantime, JICA has provided technical assistance to APORTIL aimed at improving operational efficiency and security at the existing port in Dili which will have to continue operating until the Tibar port is completed.

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Several development partners are working to support the planning and institutional development needed to deliver good quality infrastructure.

ADB is helping the Ministry of Public Works to develop and implement a plan to improve institutional capacity and to align resources to the Ministry's functional responsibilities.

ILO is helping the Ministry to strengthen the capacity of the Ministry and local civil works contractors for planning and delivery of rural road works. Planning procedures are being developed at the project level and a Rural Roads Master Plan and Investment Strategy is being prepared.

JICA is helping the Housing and Urban Planning Department of the Ministry of Public Works formulate an integrated urban master plan for Dili, including a medium term action plan. This should be completed by mid-2015.

ADB is helping the Ministry of Transport and Communications prepare a transport master plan, covering land, sea and air transport. This will be implemented over a six-month period commencing in September and will help the Ministry set clear sector policies and prioritize investments to optimize support for economic and social development.

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The Development Policy Coordination Mechanism – has helped to distill the broad aims of the SDP into required Products and Services (at level 3 of the matrix) and activities (at level 4) and has assigned responsibility for implementation. However, without a budget allocation – the responsible agency will fail. There must be linkage to the budget process.

Capacity is a critical constraint and much effort is being devoted to addressing the issue across all sectors. In infrastructure, experience has shown that it is not just about money. Rates of budget execution have been low so the government is reluctant to allocate funds which won't be spent.

While the matrix is clear on "what" is required, the real question is "how". The main reason for poor budget execution is a lack of detailed planning and project preparation. Even the simplest infrastructure projects need more than one year for implementation. Taking a bridge as an example, detailed field surveys, geotechnical investigations, and design is needed. For this, a consulting firm will normally be commissioned so terms of reference must be prepared, proposals invited and evaluated and a contract awarded. Typically – this will take up to 12 months so spending in the first year will be very low. The design work will typically take 6 months after which invitations to bid can be issued to contractors. At least 6 months is typically required for receipt and evaluation of bids. Consequently, the project's budget for the second year might cover only the cost of preparing the design and specifications. Work can then start at the beginning of year three and depending on the size of the project may be completed within 12 or 18 months.

While this appears to be a long process – it assures transparency and quality. A desire to avoid the systematic procedures just described has resulted in various "fast track" approaches in which proper design is bypassed, and competitive tendering is not used, thereby severely compromising quality and transparency.

A larger project, or a programmatic approach (for example a bridge replacement program) would be more efficient. In the roads sector – development partner supported projects benefit greatly from the linkages with the Infrastructure Fund that allows for multi-year budgets. Budgets for all infrastructure projects should be multi-year so that projects can be prepared without unrealistic time expectations.

As the stock of infrastructure improves, an increased focus on operations and maintenance will be needed. Budgets for O&M should be “ring-fenced” and private sector participation should be considered as a way to ease capacity constraints and improve services.

Infrastructure is not an end in itself. It enables productive and social sectors to function more efficiently. Infrastructure must be matched with needs, therefore higher level planning should identify cross-sectoral infrastructure demands. The requirement for, and the scale of infrastructure investments must be evidence-based to avoid over or under investment, and to ensure that any particular investment is prioritized accordingly. High level planning processes need to be strengthened to achieve this.

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I have already suggested some areas where better planning will produce better results in terms of budget execution, output quality and transparency. There are great pressures to take short-cuts and it is important that targets and schedules are realistic and achievable, and recognize the constraints within which we work.

There needs to be good institutional coordination between agencies such as National Procurement Commission, Ministry of Public Works, and National Development Agency so the project preparation, procurement and implementation are conducted with a spirit of team work – all working towards the same goal.

Human resource development will take time – not only in the public sector but also in the private sector. While large construction contracts are needed (and these are likely to be done by international contractors) there is ample opportunity to package contracts so that local contractors can participate. If done well, this will help them to grow, while at the same time developing the managerial and technical capacity to provide work of the required quality.

I do not apologize for pitching my remarks largely at the operational level. We can have the best plan in the world, but we must also have appropriate tools so that those with responsibility for actually doing those level 4 activities can get on with the job.

We are assured that the SDP and the SDP matrices are “living” documents – not considered perfect – and to be regularly reviewed. Financial resources are not limitless. Ensuring that public infrastructure provides maximum value and is prioritized on the basis of sound evidence is of vital importance. The development partners in the infrastructure sector will continue to support the government in improving the infrastructure stock, and improving the delivery of infrastructure services to meet the needs of this rapidly developing nation.

Thank You.