

Getting the job done

Enhancing infrastructure delivery capability in the public sector

Featuring: James Stewart, KPMG's Chairman of Global Infrastructure

FORESIGHT

A Global Infrastructure Perspective

For readers of this publication, there should be little doubt that we need a fundamental change in the way infrastructure is delivered. Whether you are in the developing world or the developed; the private sector or the public – it seems clear that, without a significant step change in our approach to infrastructure, we will never meet the massive challenges that we now face.

Consider, for a moment, the scope of the challenge ahead: according to some pundits and observers, the world will need to invest some USD40 trillion into infrastructure over the next 25 years. Not only is that an astronomical amount of money; it is also a mind-boggling amount of activity.

There are three main challenges in delivering this quantum of work: funding, financing and capability. And while there has been a definite evolution in the way we approach the first two challenges, there has been surprisingly little discussion on the challenge of capability. Can we realistically deliver

against such a huge need across a wide swathe of sectors? Do we have the capacity or the physical resources to achieve our goals? Indeed, even if we could secure all of the money needed, do we have the skills and practical experience to structure, procure and deliver all of the projects that are required?

The need for stronger public sector agencies

In my opinion, the first step must be to enhance infrastructure delivery capability in the public sector. The fact is that governments are – and will continue to be – the top promoters

of infrastructure around the world. What's more, given the pressure on budgets and the criticality of most infrastructure projects, it is vitally important for public sector agencies to enhance their effectiveness and efficiency to ensure they get it right. After all, infrastructure is a long-term strategy with wide-ranging national and economic implications.

Having spent much of my career working within government infrastructure organizations (such as Infrastructure UK and Partnerships UK), I have learned to recognize and appreciate the benefits of strong public sector agencies. And since joining KPMG's Global Infrastructure Practice more than nine months ago, I have had the privilege of meeting public sector leaders in nearly 30 countries to discuss their infrastructure programs. What I have found is that there are three main factors that contribute to the capability of public sector infrastructure delivery.

Developing a plan

The first is the need for national infrastructure plans. The public sector must have a clear and holistic view of the vision, priorities and delivery mechanisms required to achieve their national goals. National infrastructure plans are critical to helping those responsible for infrastructure delivery to understand their spending priorities and how their activity and actions advance the national objectives. Moreover, national infrastructure plans create stronger alignment and coordination between the various national and state bodies to ensure that funding is being spent effectively without costly overlaps or yawning gaps.

Amazingly, there are relatively few national infrastructure plans in action around the world. Obviously, I believe the UK's plan is a strong exemplar, as are those in evidence in Canada, Australia and New Zealand. But national infrastructure plans are not a phenomena unique to mature markets: Nigeria, for example, has a very exciting document that outlines the path ahead; not surprisingly, so do Singapore and China.

Partnering to achieve capability

The shortage of public sector capability will also be helped by greater use of public private partnerships (PPPs). And while it should be clear that PPPs are not a panacea to the world's infrastructure challenges, they certainly provide an

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important tool to enhancing capability. PPPs give governments the ability to leverage their infrastructure programs and budgets while simultaneously accelerating investment.

More to the point, PPPs shift the capability burden off of the public sector and into the private sector where – arguably – there is much greater capacity to deliver infrastructure. Simply put, the private sector has a wealth of experience in structuring, procuring and managing the delivery of massive projects and – overall – has access to a wider range of resources and skills.

Building internal capacity

Even with greater use of PPPs, governments will still need to place much greater emphasis on investing in their own resources and processes to meet the massive task ahead. Time and again, I have met with governments who are doubling or even tripling their infrastructure spend without a comparable increase in staffing levels or skill sets required to manage this avalanche of activity.

Public sector agencies must have the capability to not only manage the complex web of projects that are on the table, but also to effectively structure and monitor their progress to ensure timely, cost-effective and efficient infrastructure delivery. Indeed, if the public sector is to remain in control of their infrastructure plans, they simply must have the right experience and capability to manage it.

An immediate imperative

Based on my experiences – and those of my colleagues around the world – I believe that governments must achieve a fundamental step change in the way that the public sector approaches infrastructure delivery. And there is no time to waste: demand has already reached a fever pitch and competition for scarce resources – both human and physical – is high.

Now is the time to focus on enhancing delivery capacity in the public sector. Otherwise, even with all the money in the world, governments will simply fail to achieve their infrastructure objectives.

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