




Australian Government  
AusAID

# Annual program performance report: Papua New Guinea 2008-09

August 2009



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For further information about the Australian Government's international development program, contact:

Communications Section

AusAID

GPO Box 887

Canberra ACT 2601

Phone (02) 6206 4000

Facsimile (02) 6206 4880

Internet [www.ausaid.gov.au](http://www.ausaid.gov.au)

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## Abbreviations

ACIAR	Australian Centre for International Agricultural Research
AIDS	Acquired Immune Deficiency Syndrome
AusAID	Australian Agency for International Development
EID	emerging infectious diseases
HIV	Human Immuno-deficiency Virus
LNG	liquefied natural gas
MDGs	Millennium Development Goals
NGOs	non-government organisations
OECD	Organisation of Economic Co-operation and Development
PNG	Papua New Guinea
TB	tuberculosis
UNICEF	United Nations Children's Fund
WHO	World Health Organization

# Summary

## Overview

In 2008, Papua New Guinea (PNG) continued to face challenges similar to those identified in 2007. In particular, the benefits of strong economic growth and stable leadership were not translated into stronger development outcomes, and the slow progress towards some of the Millennium Development Goals (MDGs) means that it remains unlikely that PNG will meet any of the MDGs by 2015. The effectiveness of the PNG Government's own expenditure is one of the most important factors in overcoming these challenges, as donor funds represented just 15 per cent of total expenditure in 2008.

A key achievement in early 2009 was the passing of legislation to reform the intergovernmental financing arrangements. It led to an increase of 40 per cent in the 2009 budget for goods and services grants to provinces for key service delivery activities. It also has the potential to significantly improve the availability of services in PNG districts.

However, this potential will be undermined without broader public service reform, which continued to make very little progress in 2008. The new strategic plan for this reform was not completed; so there remains no long-term national vision for public administration and accountability that donors can support. Political incentives for reform have weakened, partly because of the anticipated benefits of the PNG Liquefied Natural Gas (LNG) Project. In addition, the PNG Government's 2009 development budget demonstrated a reduced commitment overall to the expenditure priorities in the Medium Term Development Strategy for 2005–10.

Government decisions to channel windfall revenues to off-budget and non-transparent activities, such as trust funds and the District Services Improvement Program, undermined the public sector and the government's accountability mechanisms. In this environment, the aid program's strong focus on improving the effectiveness of the public sector as a means to strengthen service delivery and governance did not translate into meaningful gains. But there is no viable alternative to the central pathway of the aid strategy for PNG, which is to work towards a strong state with the capacity to deliver services and reduce poverty. In a country whose economy depends on a small number of resource projects, only the state can redistribute the wealth generated by those projects.

## Ratings of progress

The PNG program's progress towards achieving the objectives of the Papua New Guinea–Australia Development Cooperation Strategy for 2006–10 is summarised in Table 1.

**Table 1: Likelihood that the PNG program will achieve the objectives of the Development Cooperation Strategy by 2010**

Theme and objectives	2008 rating	2007 rating
<b>Development theme 1: Improved governance and nation building</b>		
1. Improved effectiveness of public sector institutions and processes at the national and subnational levels	National Subnational	
2. PNG Government demonstrating open, accountable democratic behaviours and adherence to the rule of law		
3. Better articulated demand for democratic processes and institutions, and reforms of the state and civil society to meet that demand		
<b>Development theme 2: Sustainable broad-based growth and increased productivity</b>		
1. A conducive enabling environment for private sector activity and investment		
2. Enhanced access to markets and services	Green	Green
3. Increased agricultural productivity		
4. Increased workforce skills	Green	Green
<b>Development theme 3: Improved service delivery and stability</b>		
1. All levels of government oriented towards and better able to coordinate and implement service delivery		
2. Increased quality of and access to education		
3. Increased quality of and access to health services		
4. Improved ability to provide law and justice services		
<b>Development theme 4: Strengthened, coordinated and effective response to the HIV and AIDS epidemic</b>		
1. Stabilise the spread of new infections by 2020		
2. Effective care and treatment of those infected		
3. Strengthened national capacity to lead, coordinate and implement the HIV response	Government Civil society	

Note:

Green	The objective will be fully achieved within the timeframe of the strategy.
	The objective will be partly achieved within the timeframe of the strategy.
	The objective is unlikely to be achieved within the timeframe of the strategy.

## Major results

In 2008, Australia's aid to PNG was repositioned through the negotiation of the Partnership for Development between the Government of Australia and the Government of Papua New Guinea. The partnership sharpens the focus of the aid program by placing development results at the centre of the aid relationship and reinforcing the critical importance of mobilising all of PNG's resources to meet the MDG targets. Under the partnership, Australia's support for basic service delivery will be increased. The joint targets for service delivery will be measurable, costed and clearly linked to the MDGs.

Australia's longstanding technical assistance to the National Economic and Fiscal Commission delivered significant achievements in 2008. The commission's work with Treasury to reform the intergovernmental financing system paid off, with the new system brought into effect through constitutional and legislative changes. The new system directs national government revenues to provinces for their service delivery functions in health, education, infrastructure, rural development and village courts. It does this in a way that takes into account the cost of

delivering those services in each province and the other revenues available to each province. It is a more equitable system that will increase the total revenue flowing to provinces for service delivery functions. This highlights the benefits of targeting governance assistance on activities that have the potential to have a large impact on service delivery.

Compared with 2007, more promising developments were made in strengthening the management of the health sector at the national level. These included:

- > making reforms to the intergovernmental financing arrangements, which from 2009 will make increased funds available to provinces for the operational costs of delivering health services
- > injecting a new sense of purpose and leadership into the National Department of Health, which produced for the first time a corporate plan (with Australian assistance) that focuses on its core responsibilities within the decentralised system
- > rolling out the Provincial Health Authorities Act to streamline the management of provincial health services under one board (with assistance from the Australian Capacity Building Service Centre)
- > establishing a health sector steering committee, designed to bring senior whole-of-government oversight to the sector-wide approach (There is now a greater understanding that under-funding rural health services is the core cause of the breakdown in service delivery and there is recognition of the need to align health sector funding with subnational responsibilities.)
- > increasing the immunisation coverage and achieving disease-specific successes in malaria and tuberculosis.

The education and transport programs continued to make steady progress in supporting the development of key government sectoral strategies. Australian assistance maintained priority roads (965 kilometres) and improved the infrastructure of schools (2677). The HIV and AIDS program continued to support the expansion of voluntary counselling and testing services through non-state actors and treatment in PNG through the health sector. The number of people accessing voluntary counselling and testing sites increased by 48 per cent and the number of people accessing treatment increased by 35 per cent.

The design of the Strongim Gavman Program, which replaced the Enhanced Cooperation Program, is the result of close cooperation and consultation between Australian and PNG agencies. It strengthened the program's focus on long-term capacity building in the public sector through partnerships, its integration with the broader aid program and PNG systems, and PNG's ownership of the program.

## Major challenges

Overall, 2008 was a challenging year for the PNG aid program. The flagship monitoring, evaluation and dialogue mechanism of the Development Cooperation Strategy—Performance Review and Dialogue—ceased in 2008 because triggers for performance payments could not be agreed. This reduced opportunities to engage with Australia's key counterpart for aid, the Department of National Planning and Monitoring, on strategic policy and governance issues. The decision by the department not to continue with the placement of a co-located AusAID officer also undermined the prospects for collaboration.

While Australia's support for strengthening the public service made some incremental improvements in some agencies, key processes for reforming the public sector stalled in 2008.



These included the development of the public sector reform plan and the work of the implementation committee of the Public Expenditure Review and Rationalization Programme (PERR). The former has been attributed to senior-level instability in central agencies and the weakening of central structures for coordinating policy. In the case of PERR, momentum was lost when the process among donors to refocus the PERR stalled. Another important reason for the lack of reform was the anticipated benefits of the LNG project, which are expected to cause the PNG Government to be even less focused on reform in 2009. Improvements in central agency coordination and a shared government vision for reform, together with coordinated support from donors, will be critical to progressing administrative reforms and governance more broadly.

The global recession has the potential to affect development outcomes directly due to declining government revenues. While PNG's broadly sound macroeconomic policy settings and accumulated savings give it some breathing space, a prolonged recession presents significant risks to the resources available for front-line service delivery.

## Key management consequences

The 2009 review of the Treaty on Development Cooperation will provide the opportunity to examine how the aid program can best assist PNG in the longer term, especially how to maximise the development gains from the LNG project. The review will revisit the central pathway of the cooperation strategy (noted previously), review the principles underpinning the aid program, and link future changes in the aid program to PNG's National Strategic Plan 2010–50 and Long Term Development Strategy 2010–2030. It provides an opportunity to strengthen policy dialogue with the PNG Government on the contribution of the aid program to PNG's long-term development.

Through Partnership for Development dialogue, the program will focus on establishing a long-term national approach to public administration and financial management across all levels of government and developing consequential medium-term programs to support reforms.

Australia's response to the global recession will primarily be to maintain or, if possible, improve service delivery by the PNG Government and its partners by progressing the implementation of the Partnership for Development, with a strong focus on mutual commitment aimed at supporting and protecting service delivery across PNG in a tough fiscal environment.

A greater focus on service delivery outcomes through the partnership will further increase the PNG program's support at the provincial, district and local levels. Subsequent refinements to the Sub-National Strategy, which provides a framework for improved engagement at subnational levels, will inform the whole aid program and ensure coherency and consistency in the way the PNG program is working and in the reforms being supported across all levels of government. The support for service delivery will be reoriented, based on ongoing analytical work about the benefits and risks of using PNG government systems, including systems of budget execution and expenditure management. Analysis currently being undertaken for the design of the new education program and the future health strategy will inform the program's approach more broadly.

In 2009 an important priority for AusAID will be to continue to scale up efforts to promote gender equality across the program and take forward the aid program's response to the 2008 report on violence against women, which was produced by the Office of Development Effectiveness. Dedicated resources will be identified to progress gender equality and increase

the profile of the very detrimental consequences of inequality for development with the PNG Government.

## Country performance

The annual program performance review for 2007 found that PNG's macroeconomic performance had continued to improve and leadership was stable, and that both the mineral and non-mineral sectors of the economy had continued to grow, with increasing employment and private sector development. However, structural obstacles in the political environment and the public service had failed to turn better economic performance into development outcomes.

The picture was largely unchanged a year later. Despite improvements to subnational financing and high expectations surrounding the proposed PNG LNG project, risks to service delivery increased in 2008 due to pressure on revenues as a result of the global recession and a reduced commitment overall to the objectives of the Medium Term Development Strategy for the period 2005–10 (MTDS).<sup>1</sup> The prospect of the LNG project, which is scheduled to come on stream in 2011 and expected to generate significant revenue from around 2017, may boost economic confidence in the short term as it represents a major opportunity for transformational growth. But the government will be challenged to ensure that the revenue from the project translates into positive development outcomes.

**Economic growth** was a healthy 7.2 per cent in 2008, but is forecast to slow to less than 4 per cent in 2009.<sup>2</sup> Formal employment grew through expansion in mining, construction and smallholder agricultural production.<sup>3</sup> Importantly for PNG's long-term future, there was strong growth in the non-mining sectors, even though they still face considerable structural obstacles to growth. The PNG Government's engagement with the private sector is limited. The National Working Group to Remove Impediments to Business has met once in the past two years despite PNG slipping from 89 to 95 out of the 181 countries ranked according to the ease of doing business in them.<sup>4</sup> The weakest areas include enforcing contracts, obtaining building permits and getting credit. With the spread of the global recession and the potential for delays in the PNG LNG project, there is a risk that foreign investment more broadly may decline.

There has been no improvement in the long-term funding of **health services**. Indicators of the effectiveness of health systems generally continued to worsen in 2008. There were some improvements in the coverage of family planning and disease control and in some management indicators. Data from the 2006 Demographic and Health Survey confirmed there had been a reduction in child mortality from the 1996 level<sup>5</sup>, but progress was not sufficient to

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<sup>1</sup> PNG Government, *The medium term development strategy 2005–2010: "our plan for economic and social advancement"*, November 2004.

<sup>2</sup> International Monetary Fund, *Papua New Guinea: staff report for the 2008 Article IV consultation*, Washington, DC, p. 10. The PNG budget estimate was 6.2 per cent.

<sup>3</sup> Government of Papua New Guinea, '2009 budget statement'.

<sup>4</sup> World Bank, *Doing business: measuring business regulations*, viewed June 2009, <[www.doingbusiness.org/economyrankings/](http://www.doingbusiness.org/economyrankings/)>.

<sup>5</sup> Infant mortality fell from 69 to 56.7 per 1000 live births, child mortality from 25.3 to 19.1 per 1000 live births, and under-5 mortality from 92.8 to 74.7 per 1000 live births.

meet the MDG, and child mortality in PNG remains the highest by some way in the Pacific. Maternal mortality showed an apparent increase from 370 in 1996 to 733 per 100 000 live births in 2006.<sup>6</sup> Current research through the Sub-National Program reveals that users of health services generally have to pay for the services. Since most of the services offered in rural areas are for maternal and infant health, women are funding a significant proportion of the health sector across the country.

The PNG Government estimated that in December 2008 the prevalence of HIV was 2.03 per cent, with 76 665 people living with HIV (up from 1.61 per cent prevalence and 59 537 people infected in 2007).<sup>7</sup> Another sharp increase is projected for 2009, reaching 2.56 per cent prevalence and 98 757 people living with HIV. In the six months to June 2008, 58 per cent of the new cases reported were female. Rural communities are increasingly being affected. The trends reported in 2007 of poor official leadership, but increasing activity by civil society, continued in 2008.<sup>8</sup>

There has also been no improvement in the long-term funding of **education services**. There is no new information on the generally inadequate progress towards universal basic education, but a net enrolment rate of 53 per cent and a ratio of females to males of 0.95 were established as 2007 baselines for the Partnership for Development objective of progress towards universal basic education. There has been no improvement in gender parity in education; currently only 44 per cent of primary school students are girls.

In the **transport sector**, the maintenance of priority roads suggests an increase in the proportion assessed as being in good condition, although this is yet to be confirmed. The number of regional airports achieving certification increased in 2008.

Progress in **law and justice** continued in the areas identified as successful in 2007 (the courts, legal aid, juvenile justice and crime prevention) but serious crime rates appear unchanged and police performance remained poor in 2008.<sup>9</sup> The Police Commissioner demonstrated commitment to reform in terms of discipline and response to family and sexual violence. But women's access to justice remained unequal. The 2008 evaluation by AusAID's Office of Development Effectiveness of violence against women reported that there is limited knowledge among women of their rights, and support services are limited to major towns only.<sup>10</sup>

PNG ranks 124 out of 136 countries in the United Nations Development Programme's **gender-related development index**.<sup>11</sup> This shows that women in PNG are significantly disadvantaged relative to men in PNG and women in other parts of the world. In 2008 there was a further attempt to have women appointed to Parliament as allowed under the Constitution. Although three women were short listed according to a stringent merit-based selection process, Parliament did not pass the bill to appoint them.

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<sup>6</sup> The 1996 figure is likely to have been an underestimate; associated factors such as the proportion of attended births have marginally improved.

<sup>7</sup> PNG National AIDS Council Secretariat & National Department of Health, *The 2007 estimation report on the HIV epidemic in PNG*, August 2007.

<sup>8</sup> PNG HIV/AIDS sector performance report. The National AIDS Council was reconstituted in December 2008 after 18 months of absence.

<sup>9</sup> PNG law and justice sector report.

<sup>10</sup> Office of Development Effectiveness, *Violence against women in Melanesia and East Timor: building on global and regional promising approaches*, Australian Agency for International Development, Canberra, 2008.

<sup>11</sup> The greater the gender disparity in basic capabilities, the lower a country's gender-related development index compared with its human development index.

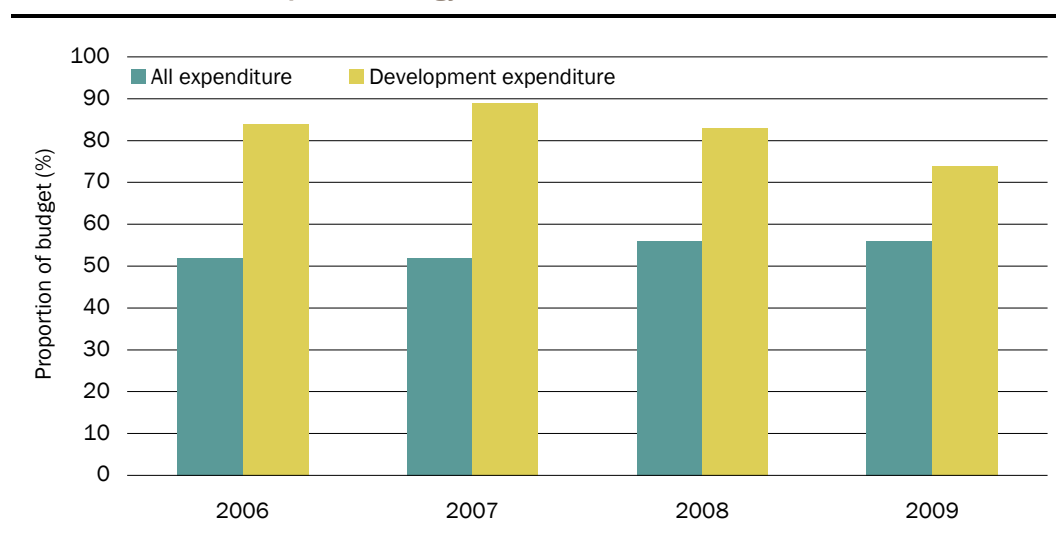
PNG's control of **corruption**, as measured by the World Bank<sup>12</sup>, is in long-term decline. PNG is in the bottom 10 per cent of all countries ranked according their control of corruption, which significantly is its worst showing for all the governance indicators.

The 2009 **budget** is deliberately expansionary. It envisages a deficit of 2 per cent of gross domestic product after a 4.5 per cent surplus in 2008. There are significant risks of higher expenditure and lower revenues. The development budget for 2009 shows an increase, and for the first time PNG's own resources make up more than half of it (though this has been achieved partly by reclassifying existing expenditure and partly because donor money was worth less in kina terms). An estimated 56 per cent of the 2009 budget overall (recurrent and development) is aligned with MTDS priorities—no greater than in 2008. In general, the proportion of the budget directed to meeting these priorities has risen since 2006 to reach the modest target of 55 per cent, but the corresponding proportion of the development budget was reduced in 2008 and 2009 (Figure 1). The continuing separation of the recurrent and development budgets remains a serious constraint to efficient resource allocation.

The judgement of the International Monetary Fund is that progress in reducing debt, achieving large current account surpluses and saving mineral revenue put PNG in a relatively favourable position at the onset of the global recession. The spillover into PNG's financial sector will be limited; the main effect will be decreased revenue as a result of falling commodity prices. The global recession is yet to have a substantial impact on the agricultural sector and rural communities—export crop prices have held up relatively well, and the genuinely vulnerable rural populations do not produce cash crops and so are insulated from the recession.

But the effects of the global recession on demand may be worse than expected, and public expenditure and therefore service provision are vulnerable to a prolonged downturn. Money built up in trust funds during the past three years for capital expenditure may cushion the effects for a while (and forms a significant part of the government's fiscal stimulus plans). But expenditure from the accounts has been slow, reflecting low sector capacity, and there has

**Figure 1: Proportion of PNG's overall and development budgets directed to meeting priorities of the Medium Term Development Strategy**



<sup>12</sup> World Bank, *Governance matters 2009: worldwide governance indicators, 1996–2008*, viewed June 2009, <[http://info.worldbank.org/governance/wgi/mc\\_countries.asp](http://info.worldbank.org/governance/wgi/mc_countries.asp)>.

been ineffective accounting for sums spent to date.<sup>13</sup> Slow capital expenditure is aggravated by inadequate and inefficient expenditure from the recurrent budget (in principle the trust funds cannot be used for recurrent costs). Although trust fund appropriations are aligned in principle with MTDS priorities, there was evidence in 2008 of money from them being reallocated from sectoral ministry control to activities with little relationship to MTDS priorities. There were worrying reductions in PNG government funding commitments in the 2009 budget to such key poverty-related areas as road maintenance, law and justice, education and HIV/AIDS.

One strategy for fast-tracking expenditure has been to put more money into the District Services Improvement Program, which is controlled by members of parliament. But of the K356 million transferred to districts only K44 million had been spent<sup>14</sup> and there was no financial reporting on the expenditure.

A major step in improving the effectiveness of **public sector** institutions was taken in March 2009 with the passing of legislation completing the amendment of the system for intergovernmental transfers. Provinces will now receive transfers that are more closely related to the costs of providing services and are directed to priority areas. Goods and services grants to provinces for key service delivery activities were increased by 40 per cent in the 2009 budget. PNG's Provincial Performance Improvement Initiative grew to include all of the country's provinces in 2008. While progress across provinces has been incremental, improvements are evident in better planning and budgeting processes, human resource management and financial management.

Public service reform at the national level made very little progress in 2008. While existing projects such as the devolution of human resource management and the strengthening of internal audit continued, a new strategic plan for public service reform was not completed and there remains no national vision for the future of the public service that donors can support.

A bold step was taken in 2007 to measure and publish progress towards MTDS priorities. Although a full assessment was not published in 2008, summary scores for the progress did appear in the 2009 budget papers. The momentum behind a performance system in the Prime Minister's Department to track the delivery of annual targets across government has been lost. However, there are still strong PNG-owned monitoring mechanisms in law and justice and health, and emerging systems for HIV and AIDS, education, provincial government and transport, which will be further developed through the Partnership for Development.

The PNG Government successfully reported its fiscal position in 2008 in accordance with its Fiscal Responsibility Act. This included reporting the final budget outcome for 2007, the 2009 budget strategy and the mid-year economic and fiscal outlook. The Act also requires that Treasury be consulted where National Executive Council (Cabinet) submissions have financial implications, but this is not being enforced.<sup>15</sup> A public expenditure and financial accountability assessment in 2008 evidenced no overall improvement in public expenditure management since 2006.<sup>16</sup> The PNG Government achieved 'A' or 'B' scores for 27 per cent of the assessment indicators, compared with 34 per cent in 2006. The assessment confirmed the government's sound budget planning and preparation processes, and procurement processes. However,

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<sup>13</sup> Government of Papua New Guinea, '2009 budget statement'.

<sup>14</sup> As at 30 September 2008.

<sup>15</sup> PERR Implementation Committee, 'Quarterly report', September 2008.

<sup>16</sup> The PNG public financial management performance report from the 2008 public expenditure and financial accountability assessment had not been endorsed by the PNG Government at the time of writing this report (March 2009).

overall ratings were low and weaknesses were observed in the control of expenditure, accounting, recording and reporting, and external scrutiny and audit.

**Aid** is declining both in real terms and as a proportion of gross national income. Australia remains the predominant donor in PNG (Table 2) and, in some sectors, such as law and justice, is the only significant donor.

**Table 2: PNG's 2008 official development assistance by source of grants**

	2009 projections
	kina million
Australia	699
Japan	140
European Union	19
New Zealand	48
China	24
Others	40

Note: Estimates for Australian aid may not match figures given elsewhere in this report.

Source: PNG 2009 budget statement.

The PNG Government's interest in managing aid effectively peaked with the signing in July 2008 of the PNG Commitment on Aid Effectiveness, a reworking of the Kavieng Declaration. The commitment included an action plan for 2008 and targets to 2012, but mechanisms to monitor the action plan have not been set up. The OECD's 2008 survey on monitoring the Paris Declaration on Aid Effectiveness suggested that donors in PNG were doing as well as the survey average in providing predictable aid and in working together in program-based approaches, but that little progress had been made in using PNG systems for delivering aid. Donors can improve their coordination at the sectoral level (for example, by further aligning infrastructure priorities and improving the functioning of the health sector-wide approach), but addressing the constraints on greater aid effectiveness will require regular and constructive PNG-led dialogue with donors.



## Methodology for developing the APPR

During 2008, the third year of implementing the PNG aid program's performance assessment framework, the framework was updated to reflect the new Partnership for Development and new sectoral strategies and monitoring and evaluation frameworks. From this process it became apparent that an increasing range of evaluation methodologies are being used in the PNG program. In particular, research-based approaches and the principles of contribution analysis are being used to further deepen AusAID's understanding of the programs' achievements.

The 2007 approach to the annual program performance review was adopted, with only minor modifications, for the 2008 review. It included:

- > **Quality-at-implementation assessments.** These assessments were facilitated by the Operations Policy and Management Unit; 27 initiatives from the PNG program were assessed and rated against criteria for quality at implementation.
- > **Sector performance reports.** Performance reports for 2008 were prepared for 10 sectors.<sup>17</sup> They tracked progress towards PNG's sectoral objectives, assessed Australia's contribution to PNG outcomes at the sectoral level, and identified how each sectoral program supported the objectives of the Development Cooperation Strategy and Australian government priorities. Each report also set specific annual targets for 2009 against which progress can be measured. The reports drew on activity-level monitoring and evaluation systems as well as independent reviews. All were reviewed by PNG Group managers and Canberra-based advisers in a series of structured meetings. Some were reviewed by whole-of-government partners and PNG counterparts.
- > **Assessments of progress towards strategic objectives.** Short crosscutting papers were produced by the PNG senior management team on progress towards achieving selected development and enabling objectives of the Development Cooperation Strategy.<sup>18</sup>
- > **Management discussion.** The PNG Group management team (at the PNG Post and in Canberra) met to analyse the conclusions from the assessment and reporting processes and to develop a set of recommendations on key areas for further work. These discussions informed the development of this report and the 2009–10 Business Unit Plan.
- > **Peer review of the annual program performance report.** The peer review process provided contestability and independent analysis of the report's findings. Participants were a range of key stakeholders.

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<sup>17</sup> Education, health, HIV/AIDS, infrastructure, economic and public sector reform, democratic governance, law and justice, subnational program, rural development, and scholarships.

<sup>18</sup> The objectives were improved governance and links to service delivery, sustainable broad-based growth and increased productivity, capacity building, integration with PNG systems, and gender equality.



## Issues and constraints

Under the Partnership for Development and the PNG Commitment on Aid Effectiveness, Australia is committed to using PNG's reporting systems wherever possible. Australia is also continuing to move its sectoral support towards program-based approaches led by the PNG Government (see objective 3 under 'Development theme 4'). The transition to a greater use of partner government systems for reporting and implementation increases the challenge in demonstrating year-on-year change. The partnership is taking over from the existing Development Cooperation Strategy, and will increasingly do so as the range of negotiated partnership schedules widens. The transition from the strategy to the partnership presents an opportunity to better define objectives and indicators of measurement. This is evident through the negotiation of the first five priority partnership schedules, which set clearer joint targets.

Setting annual change forecasts (through the sector performance reporting process) and measuring progress towards them as a way of moving to a more objective basis for rating progress towards development objectives will be a priority in 2009.

## Ratings and assessment

As discussed in the 2007 annual program performance report, the close alignment of PNG's and Australia's development objectives and the move to program-based approaches for sectoral support increasingly means that any assessment of the aid program's performance cannot be separated from the country's development outcomes. In most cases, the aid program's objectives have been set at the level of whole-of-sector outcomes. Therefore, in the PNG context, factors outside of Australia's influence, such as leadership stability and commitment to reform, will strongly affect the aid program's performance.

The aid program's support under the four enabling themes<sup>19</sup> was not rated separately for 2008 as it influences the program's ways of working rather than sectoral or on-the-ground outcomes. Comments on the enabling themes are included throughout the report as well as separately to maintain accountability for improving the way the aid program is operating in PNG.

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<sup>19</sup> Alignment of PNG and donor resources, capacity building and integration with PNG systems, effective partnerships with and beyond the PNG Government, and gender equality.

# Development theme 1: Improved governance and nation building

## **Objective 1: Improved effectiveness of public sector institutions and processes at the national and subnational levels**

### Ratings

- At the national level the objective is unlikely to be achieved within the timeframe of the strategy.
- At subnational levels the objective will be partly achieved within the timeframe of the strategy.

The major achievement of legislation to change the intergovernmental financing arrangements, and the subsequent increase in function grants to provinces, together with continuing improvements in key areas of Australia's involvement at the national level, amounted to some progress. But the loss of the vehicle for monitoring, evaluation and high-level strategic dialogue and the stalling of other systemic policy analysis processes such as the PERR<sup>20</sup> and a public sector reform plan mean that the PNG program now needs to work hard to find effective entry points to pursue this objective at the national level.

### Assessment of results and performance

As noted in the 2007 annual program performance report, achieving progress towards this objective is an enormous challenge. Given the long-term deterioration of public administration in PNG it will take concerted action over time to halt this and eventually reverse it. Reform efforts stalled within the public service, which can be linked to a weakening of central policy coordination structures. Uncertainty surrounding the future of the Office of the Chief Secretary and the role of the Central Agencies Coordinating Committee and unfinished restructuring in the Department of National Planning and Monitoring meant that development partners' points of entry for policy dialogue became weaker.

The monitoring, evaluation and dialogue mechanism of the Development Cooperation Strategy—Performance Review and Dialogue—ceased at the request of the Department of National Planning and Monitoring because triggers for performance payments of the \$15 million could not be agreed. The interdepartmental coordination that Performance Review and Dialogue encouraged was replaced to some extent by the Partnership for Development.

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<sup>20</sup> The Public Expenditure Review and Rationalization Programme (PERR) is a collaborative effort between the PNG Government, AusAID, the United Nations Development Programme, the World Bank and the Asian Development Bank to prioritise and sequence economic and public sector reforms.

The existing PERR implementation committee continued to meet in 2008, although it lost momentum as a guiding body for reform.

Despite initial encouragement through the aid program, both the whole-of-government performance planning and monitoring framework and the 'pocketbook' publication of progress towards the MTDS priorities stalled. Although Australian support through the Strongim Gavman Program assisted in maintaining Treasury capacity to manage a broadly sound macroeconomic strategy, there was essentially minimal progress at the national level towards the PNG objective of improved leadership and management in the public sector.

However, there was a renewed interest, led by the Department of Provincial and Local-Level Government Affairs, in evidence-based monitoring of outcomes and systems improvement at provincial and local levels (for further discussion see 'Development theme 3').

The Australian aid program contributed to incremental changes in public sector skills and functions and to improved processes for budget planning, preparation and financial management. In particular, there were direct Australian contributions to:

- > **Reforming the intergovernmental financing arrangements.** Australian technical assistance to the National Economic and Fiscal Commission supported reform that resulted in an overall increase of 40 per cent to the recurrent goods and services grants made available to provincial governments for their service delivery responsibilities in health, education, transport and infrastructure, agriculture, and law and justice.<sup>21</sup>
- > **Developing a five-year framework and implementation plan for the Public Sector Workforce Development Program.** It was agreed that PNG would increase its contribution to the program to K2 million in 2009 (K1.5 million in 2008). This relatively successful program, which started in 2005, has reinstituted sustainable workplace training and professional development. A total of 850 officials from 22 agencies received workplace training in 2008.<sup>22</sup> The program is wholly owned and operated by the PNG Government, with Australian support.
- > **Devolving human resource management** from the Department of Personnel Management to key agencies including Finance, Treasury, the Internal Revenue Commission and the Auditor-General's Office. Cross-agency coordination improved as a result of the establishment of a 'community of practice' for managers of human resources. A similar network for public financial managers will be established in 2009.
- > **Building transparency and public accountability processes in the education system.** Initiatives such as school's plans to improve learning with strong community participation are ensuring accountability; new payroll and merit selection processes are strengthening financial management, audit and human resource systems; and national and provincial education plans are improving planning and budget processes.
- > **Strengthening core public administration functions across the eight law and justice agencies.** The benefits are demonstrated in improved medium-term planning and budgeting, and the alignment of both development and recurrent budgets to annual plans and sectoral policies. The strong policy foundation of the law and justice sector is guiding coordinated and coherent resourcing decisions as well as activities leading to service delivery improvements across the sector.

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<sup>21</sup> National Economic and Fiscal Commission, 'Closing the gap: review of all expenditure in 2007 by provincial governments', 2009.

<sup>22</sup> Public Sector Workforce Development Program, '2008 progress report'.

- > **Delivering a development-oriented 2009 budget in line with the Medium Term Development Strategy and the new Medium Term Fiscal Strategy and a revitalised Medium Term Resource Framework.** The Strongim Gavman Program's technical support in the PNG Treasury contributed to the delivery of the 2009 budget on time amid an uncertain and volatile domestic and international outlook, although the alignment of the development budget with MTDS priorities weakened. It is anticipated that the new Integrated Financial Development System will have a provision for multi-year budgeting which, if managed well, could improve budget planning and preparation.
- > **Improving financial management at the national and subnational levels.** The Strongim Gavman Program's support to central agencies and the financial management advisers placed in key line agencies assisted the PNG Government to prepare budgets and better manage financial resources. Australia is co-financing with the Department of Finance the delivery of the Annual Financial Management Training Plan. For the first time, training funds were appropriated under the recurrent budget, clearly demonstrating PNG's commitment to its contribution obligations. In 2008, training was provided to 1055 public sector officials, of whom 44 per cent were women, through 87 separate courses in 17 provinces.<sup>23</sup>
- > **Strengthening the capacity of the Internal Revenue Commission.** Technical support from the Advisory Support Facility and the Strongim Gavman Program was instrumental in implementing the commission's new corporate plan and supporting its restructure. As a result the commission secured a 20 per cent funding increase through the 2009 budget.
- > **Strengthening the operations of provincial and district treasuries in six provinces.**<sup>24</sup> Under the Provincial Capacity Building Program most Treasury employees' knowledge and skills in financial management and reporting generally improved and they cleared a backlog of work dating back 4–5 years in most provinces supported by the program.<sup>25</sup>

Australia also contributed to improved effectiveness of public sector institutions by providing Australian Development Scholarships. In 2008, 130 Papua New Guineans received scholarships—50 per cent going to public servants. However, in the past there has been a high prevalence of course changes and unsuccessful completions among scholarship recipients. AusAID's new Higher Education Development Program proposes to address current weaknesses in the scholarships program.

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<sup>23</sup> Department of Finance, Financial Training Branch, '2008 annual report'.

<sup>24</sup> The six provinces are Central, Western, Milne Bay, East New Britain, Morobe and Eastern Highlands and included district and local-level governments within those provinces.

<sup>25</sup> Provincial Capacity Building Program Phase II, '2008 assessment report'.

## Objective 2: PNG Government demonstrating open, accountable democratic behaviours and adherence to the rule of law

### Rating

- The objective is unlikely to be achieved within the timeframe of the strategy.

Australian support continued to strengthen the building blocks of institutions promoting accountability. However, there was little evidence of links from formal institutions to changed behaviour, and from Australian support in sectoral programs to greater transparency and accountability.

### Assessment of results and performance

This objective is ambitious. A key barrier to the achievement of this objective (and to development generally) is corruption, which is present in all PNG sectors.<sup>26</sup> Incentives for unaccountable and undemocratic behaviour remain strong and imperfectly understood by development partners. Despite widespread media coverage of wrongdoing at the highest levels, there appear to be few sanctions supported by the PNG Government.

In this context, the evidence to demonstrate how Australian-supported activities are leading to behavioural change and to transparency and accountability in public life is weak. Australia's support focuses on formal systems—continuing to build the capacity of accountability institutions in PNG and the demand for better governance within civil society, and strengthening PNG's procurement and financial management systems at all levels of government.

Progress within formal structures included:

- > **Stronger procurement practices.** Technical assistance contributed through the Advisory Support Facility to the Central Supply and Tenders Board enabled the board to develop its first strategic corporate plan (for the period 2009–13). A memorandum of understanding was signed in 2008 between the PNG Minister for Finance and the Chartered Institute of Purchasing and Supply Australia to provide procurement training and develop a procurement profession in PNG in collaboration with the Central Supply and Tenders Board. Training will commence in 2009. However, currently 60 per cent of procurement tenders still avoid due process, which demonstrates the scale of the challenge to improve practices.
- > **Greater capacity within the National Anti-Corruption Alliance.** The alliance continued to achieve success through agency collaboration. The National Fraud and Anti-Corruption Directorate made 43 arrests in 2008, 26 of which were the result of the National Anti-Corruption Alliance's activity. This was a significant increase from 35 arrests in 2007, to which the alliance contributed only 3.

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<sup>26</sup> Transparency International Corruption Perceptions Index for PNG improved marginally from 162 in 2007 to 151 in 2008 (out of 189 countries).

- > **Maintenance of budget transparency and accountability.** The PNG Government successfully reported its fiscal position in 2008 in accordance with its Fiscal Responsibility Act. This included reporting the final budget outcome for 2007, the 2009 budget strategy and the mid-year economic and fiscal outlook. All reports were posted on the PNG Treasury's website. The Act also requires that Treasury be consulted where National Executive Council submissions have financial implications, but this is not being enforced.
- > **Improved internal audit capacity in PNG agencies.** Technical support from the Advisory Support Facility and the Strongim Gavman Program is contributing to revitalising the program of the Audit Committee in PNG. In 2008, more than 40 committee meetings were held, compared with just 33 for the three years 2005–07. However, the committee's capacity is still low and ongoing technical support from the Advisory Support Facility and the Strongim Gavman Program is necessary.
- > **Improved capacity and more efficient practices in investigating complaints in the Ombudsman Commission.** A twinning program between the PNG Ombudsman Commission and the Commonwealth Ombudsman in Australia contributed to some improvements in capacity; however, overall the Ombudsman Commission continued to be affected by a declining budget relative to the total PNG government budget. Only one leader was referred to the Public Prosecutor in 2008 for prosecution under the Leadership Code. The appointment of a new Chief Ombudsman has revitalised the commission and further progress is expected in 2009.
- > **Greater capacity within the PNG Electoral Commission.** The commission implemented its restructure and developed a three-year plan to develop human resources and manage capacity. Lessons learned from the 2007 national elections and the local-level government elections were integrated into core operational areas of the PNG Electoral Commission. The commission managed the local-level elections, two court-ordered by-elections and three recounts while trialling communications and safety plans. This resulted in improved communication between police and polling officials, more efficient use of policing resources, faster responses to security incidents and an overall reduction in violence. The PNG Electoral Commission also partnered the Bougainville Electoral Commission to successfully manage the presidential by-election.

Government resources allocated to the Auditor-General's Office increased by 27 per cent in the 2009 budget. This office is central to greater accountability in the use of government resources and, with support from Australia, made notable progress in eliminating the audit backlog at national and provincial levels by completing the audit of the 2006 Public Accounts in 2008. However, follow-up by government agencies and, where appropriate, prosecution in response to external audits are limited.

In 2008 the aid program's anti-corruption strategy for PNG for the period 2008–10 was finalised. Implementing the strategy in 2009 will be a priority.

### Objective 3: Better articulated demand for democratic processes and institutions, and reforms of the state and civil society to meet that demand

#### Rating

- The objective will be partly achieved within the timeframe of the strategy.

Work with the churches and through small grants enabled AusAID to continue to make a difference at the community level. But there are structural problems with the portfolio of democratic governance activities—the growing number of small initiatives requiring intensive management are crowding out strategic relationship building and altering the direction of the program from, what remains, a very high-level objective.

#### Assessment of results and performance

To achieve this objective, Australia supports and works in partnership with the National Broadcasting Corporation (NBC), the Department of Community Development, the Department of National Planning and Monitoring and a significant number of civil society organisations, including the media and church agencies. It covers a range of activities involving political governance, civic education and community development, which makes measuring performance challenging.

Specifically, Australian support assisted PNG to:

- > **Foster partnerships between provincial radio stations and civil society organisations.** Thirty-eight grants have been provided through the PNG Media Council since the small grants scheme began in 2006. However, the administrative burden of running the scheme has distracted the Media Council from its core business, and implementation of these grants slowed in 2008. From 2009, the Media Council will be supported to fulfil only its core functions, with the management of the grants to fall under the new Democratic Governance Program.
- > **Implement successful programs for improving broadcasters' HIV/AIDS content and for improving print journalists' skills** through the PNG Media Council. Popular documentaries were produced on rural and youth issues, as well as studio talk shows.
- > **Deliver higher quality news and current affair programs.** Support to the National Broadcasting Corporation is delivered in partnership with the Australian Broadcasting Corporation (ABC). In 2008 the focus of this partnership was on infrastructure, organisational development and improved radio content. The ABC undertook a review of programs to assist NBC news with developing and implementing a new structure to deliver higher quality news and current affair programs. For the first time NBC's accounts were completely up to date and from January 2009 it will deliver accurate financial reporting against budgets.
- > **Strengthen the performance of the Family and Sexual Violence Action Committee.** Achievements included the development of a community volunteer network, engagement in the reform of legislation affecting families, and the establishment of five centres to provide services for victims of family and sexual violence.



- > **Strengthen the capacity of the PNG Sports Federation.** The Sport for Development Initiative supported the PNG Sports Federation to secure full funding for its development and recurrent costs under the 2009 PNG budget. Twenty activities were funded across PNG through sport organisations to better plan activities in sport and life skills in their communities. The PNG Sports Federation became the first Pacific member of the 'Kicking Out Aids' network, which supports HIV prevention through organised sports for youth. High-profile HIV awareness activities were successfully delivered at sporting events.

The reach, access and contribution of churches to development in PNG are considerable and in many areas exceed that of government.<sup>27</sup> Support for program-wide church initiatives strengthened inter-church partnerships, made the deployment of the churches' resources and personnel more effective, and promoted cross-learning among churches. Australian support assisted PNG to:

- > **Strengthen the institutional capacity of churches.** Churches' annual plans are now developed using an improved format and are peer reviewed, promoting greater understanding between programs, maximising harmonisation opportunities and minimising duplication. Some churches are demonstrating more critical thinking about their role in development, with most producing strategic plans that are effectively preparing them for engagement in emerging policy dialogue such as the PNG Government's new Partnership Framework for Churches.
- > **Improve services delivered by PNG churches to local communities.** The Church Partnership Program undertakes projects in 20 different service areas across PNG. Services in the major areas of health and education were enhanced through the training of nurses, community health volunteers, teachers and headmasters.
- > **Increase HIV/AIDS services delivered by all seven churches.** There has been an increase in people accessing voluntary counselling and testing services and an increase in the provision of anti-retroviral therapy. Work to raise awareness of HIV/AIDS services continues through the wide dissemination of documentaries and dramas on DVD.

## Expenditure

Approximately \$95 million—22 per cent of the 2008 budget for the PNG program—was allocated to improve governance and nation building.

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<sup>27</sup> Churches run or administer 46 per cent of all health facilities, 60 per cent of rural health services, five of the eight nursing schools, all 14 community health worker schools, 47 per cent of elementary schools, 53 per cent of primary schools, 30 per cent of secondary schools, 41 per cent of vocational schools and 67 per cent of teacher education institutions.



## Development theme 2: Sustainable broad-based growth and increased productivity

### Objective 1:

#### A conducive enabling environment for private sector activity and investment

##### Rating

- The objective is unlikely to be achieved within the timeframe of the strategy.

This rating reflects Australia's limited support to date in a difficult operating environment. Despite some support for improvements in the investment climate, and well-regarded (but inactive in 2008) support for land reform, efforts in this area are thinly spread and Australia has not determined effective entry points for promoting the private sector.

##### Assessment of results and performance

The PNG aid program has a small portfolio of activities aimed directly at the constraints to private sector activity, but they have not amounted to a strategic approach. Its major contribution to private sector growth is through support for macroeconomic management, transport, and law and justice.

The Strongim Gavman Program is assisting Treasury to enable private sector investment. It included assistance with negotiating tax arrangements for the PNG LNG project, input to developing the National Public Private Partnership Policy being promoted by the Asian Development Bank via engagement in the Public Private Partnership Taskforce, and the promotion of competition benefits occurring through the elimination of state-owned monopolies, especially in telecommunications and aviation.

In 2008 Australia assisted PNG to:

- > **Promote access to financial services, including microfinance.** In collaboration with the Asian Development Bank, the International Finance Corporation and the Institute of National Affairs, workshops on the PNG microfinance industry and mobile banking were conducted in 2008. In consultation with the Asian Development Bank, a new program of support for the microfinance industry is being considered.
- > **Gain accreditation to fumigate exports to Australian standards.** Under the Quarantine Twinning Program, PNG industry was accredited to fumigate exports to Australian standards, thereby enhancing PNG's 'clean trade' image in the international market. The accreditation has also enhanced PNG's ability to minimise pest incursions and hence offer increased protection for agricultural markets.

- > **Improve employment regulation.** Technical assistance to the Department of Labour and Industrial Relations helped to prepare the Employment of Non-citizens Regulation 2008, which, together with the Employment of Non-citizens Act 2007, came into force on 1 January 2009. The regulation introduces significant changes to foreign employment policy and helps businesses by improving the foreign work permits system.<sup>28</sup>

In 2008 a renewed commitment to enhancing private sector development, including better access to microfinance, was made through the Australian Prime Minister's Port Moresby Declaration. Since then, Australia has strengthened its relationship with the PNG business community through meetings with the six peak business bodies. Further opportunities for coordinating engagements of the aid program and the business community with the PNG Government on economic growth and development issues are being explored.

## Objective 2: Enhanced access to markets and services

### Rating

- The objective is on track to be fully achieved within the timeframe of the strategy.

The rating reflects the steady progress made in the transport sector in 2008. However, there was significant variation in performance among agencies. Significant increases in funding during the period 2004–08 enabled PNG to increase the maintenance of key roads and manage the transport sector's budgets. Australia's support to the sector is well integrated with PNG government systems, including procurement systems, and well coordinated with development partners.

### Assessment of results and performance

Australian assistance to the transport sector covers five agencies.<sup>29</sup> All demonstrated progress to varying degrees in 2008.

The maintenance of key roads was cited in the 2007 annual program performance report as being at the heart of the aid program's growth strategy in PNG. This is evidenced by the extent of road maintenance and development in 2008. A total of 965 kilometres of priority roads identified under the PNG Government's National Transport Development Plan were maintained with Australian support, which suggests an increase in the proportion of roads in good condition, although the statistic for 2008 is yet to be released by the government. Six independent completion reports were finalised in 2008 by the Australian-supported Transport Sector Support Program, four of which involved road maintenance or road infrastructure. These included:

- > Lae City Roads Upgrading Project
- > Bougainville Coastal Trunk Road phases 1 and 2
- > National Roads and Bridges Maintenance Project Phase 2
- > National Roads Sealing and Re-graveling project.

The key findings from these reports were that:

<sup>28</sup> Advisory Support Facility, 'Six-monthly report', June and December 2008.

<sup>29</sup> The Department of Transport, the Department of Works, the National Maritime Safety Authority, the Civil Aviation Authority and the PNG Ports Corporation (Ports).

- > the project designs were sound and largely achieved their objectives
- > the projects learned from experience in implementation
- > income-earning opportunities were provided for women
- > new contracting models were established and shown to be effective
- > sustained capacity was built in local contractors.

However, minimal effort was put into evaluating the outcomes and impacts of the improved road systems. Most benefits were noted anecdotally rather than through systematic collection of before and after road-traffic counts and analysis of the types of traffic.

Along with the provision of funds for asset maintenance, the Transport Sector Support Program embarked on a program of capacity building. Some key achievements were improved governance systems for statutory authorities, enhanced dialogue with the Minister for Transport on the implementation of the National Transport Development Plan's priorities, and a commitment to improve corporate planning with reviews by three of the five agencies.

Other achievements supported by Australia included:

- > **Improved safety and security at national airports.** The Civil Aviation Authority achieved certification of eight national airports from a target of 14. The certification of the remaining airports is a priority for the Transport Sector Support Program in 2009. Australian assistance through the Strongim Gavman Program contributed to maintaining aviation safety by establishing the Accident Investigation Commission and supporting the restructure of the Civil Aviation Authority. The program provided the Deputy Chief Executive and an Aviation Safety Adviser to the authority. Advisers in transport security and maritime security will commence in 2009.
- > **Improved processes to assist agencies with quarterly budget planning and preparation, and financial management within the sectoral agencies.** The Department of Transport coordinated the production of a sector budget submission for the first time; however, the allocations from government differed significantly from the budget submission. The Department of Works improved asset maintenance plans by providing explicit links to budgets. Advisers of the Transport Sector Support Program contributed to improvements in information and data collection at the provincial level, which led to improved reporting. However, more reliable and timely reports are needed.

Total official development assistance to the transport sector has been highly volatile over the past few years. Under the Partnership for Development, greater funding certainty from Australia will be provided to the PNG Government through forward baseline estimates. This will assist the government's planning of all development resources available for the transport sector.

### Objective 3: Increased agricultural productivity

#### Rating

- The objective will be partly achieved within the timeframe of the strategy.

#### Assessment of results and performance

In 2008 the aid program narrowed its objectives to improving smallholder livelihoods by promoting applicable research, and negotiated a more focused arrangement with the Australian Centre for International Agricultural Research (ACIAR). The assessment is that together the Agricultural and Research Development Support Facility and the ACIAR program have the potential to produce relevant research outputs for take up by PNG.

The aid program continues to provide limited but targeted support for improving smallholder livelihoods and incomes through assistance to PNG's national agricultural research organisations.<sup>30</sup> In particular, Australia targets the fresh food sector and cash crops, given their importance to the vast majority of PNG's population. The key achievement in 2008 was that all six research organisations took concrete steps to address systemic organisational weaknesses that affect their service delivery and ultimately smallholder production. The National Agricultural Research Institute is the most advanced, with an annual plan and results framework, which links research outputs to development outcomes, and a realigned organisational structure. The institute received a 25 per cent funding increase in the 2009 budget, based on its outcome-oriented reforms. Furthering this reform in the other organisations will be a priority in 2009.

Australia supported PNG to:

- > **Improve collaboration among the national agricultural research organisations and increase partnerships between these organisations, the private sector and other service deliverers.** The Agricultural and Research Development Support Facility was reviewed in 2008 after 18 months of implementation. The review concluded that the national agricultural research organisations strongly agree with the 'agricultural research for development' paradigm. The facility's support led to progress in agency performance and improved cohesion and coordination. While there were problems with the facility<sup>31</sup>, which are being addressed, it is well placed to achieve its objectives for 2009.
- > **Further develop the Agricultural Innovations Grant Scheme**, which is for the period 2007–11. Key planning documents were developed, such as a results framework and guidelines for priority areas of support. Nineteen projects, valued at K4 million, were approved for implementation. It is hoped that this pilot scheme will evolve into a competitive grants system that encourages creative partnerships to produce potentially far-reaching agricultural innovations.

A stronger partnership between AusAID and ACIAR was developed in 2008 to provide support to the national agricultural research organisations to entrench agricultural research for development. Institutionalising research for development and encouraging collaboration and

<sup>30</sup> These organisations include the Cocoa and Coconut Institute, the Coffee Industry Corporation, the Fresh Produce Development Agency, the National Agricultural Research Institute, the Oil Palm Industry Corporation and the Oil Palm Research Association.

<sup>31</sup> Problems identified in the review included delays in implementing activities and the limited capacity of some national agricultural research organisations to fully engage in facility processes.

the sharing of ideas are expected to more effectively integrate smallholders into markets, resulting in increased levels of income and food security.

However, the ambition for this objective is too broad and will be revised in the review of the country performance framework in 2009.

## **Objective 4: Increased workforce skills**

### **Rating**

■ The objective is on track to be fully achieved within the timeframe of the strategy.

### **Assessment of results and performance**

The Australia–Pacific Technical College was established in PNG in 2007 and will lead to an increase in workforce skills. The technical college is providing training in PNG in trades (automotive, manufacturing, construction and electrical) and training outside PNG in hospitality and tourism. Students will graduate with skills of Australian standards, which will support broad-based economic growth and increased productivity in PNG. Achievements in 2008 included:

- > 13 graduates from trade schools and 38 graduates from tourism and hospitality
- > 162 students currently on scholarships
- > 302 students currently enrolled<sup>32</sup>
- > the construction of purpose-built administration, class and computing rooms, accommodation for up to 70 students and a large workshop in which to provide training in construction and electrical trades and metal fabrication and automotive skills.

In 2009 there will be significant opportunities to better position Australia's support for this objective, including through the design of the Higher Education Development program and the negotiation of a higher education schedule for the Partnership for Development. To feed into this, there will be a joint review of the demand for industry skills and the capacity of tertiary education in mid-2009.

## **Expenditure**

Approximately \$125 million—29 per cent of the 2008 budget for the PNG program—was allocated to increase sustainable broad-based growth and productivity.

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<sup>32</sup> Total enrolments include recipients of scholarships, self-sponsored students and industry-sponsored students.

## Development theme 3: Improved service delivery and stability

### Objective 1:

**All levels of government oriented towards and better able to coordinate and implement service delivery**

#### Rating

■ The objective will be partly achieved within the timeframe of the strategy.

This rating is based on significant improvements in the system of funding provincial governments to deliver services and on improvements in the evidence-based monitoring of provincial performance. There was strong national government support for building provincial systems through the expansion of the Provincial Performance Improvement Initiative, leading to incremental and varying levels of change. The system of coordinating national agencies with provincial governments was strengthened by reinvigorating the Provincial and Local-level Service Monitoring Authority.<sup>33</sup> However, it will be important to have further discussions with PNG Government authorities on the threats to service delivery from budget allocation decisions, the use of trust funds in ways that are inconsistent with MTDS priorities, and the weaknesses of the District Services Improvement Program as a means of promoting district-level development.

#### Assessment of results and performance

In 2008 the PNG Government continued to struggle to turn increased revenue into improvements in service delivery. The lack of public sector capacity and policy coordination, and uneven leadership and management constrain progress in this development theme. However, a highlight in 2008 was the intergovernmental financing reforms referred to under 'Development theme 1', which have the potential to significantly improve service delivery in 2009. Australian support to the National Economic and Fiscal Commission was instrumental in demonstrating the continuing gap between the resources required to deliver services and the resources allocated. The commission found that only six provinces had sufficient revenue to provide the services they have responsibility for; however, no province spent sufficient revenue to meet its responsibilities.<sup>34</sup> Provinces are now be required to use some of their allocated funds for Minimum Priority Activities in each service delivery area.

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<sup>33</sup> This authority is a committee chaired by the Secretary of the Department of Provincial and Local-Level Government Affairs and consists of national representatives of key service sectors such as health, education and transport.

<sup>34</sup> National Economic and Fiscal Commission, '2007 provincial expenditure report'.

Where there is a commitment to reform and strong leadership, provinces are benefiting from the support that the Provincial Performance Improvement Initiative provides to advance their reform agendas and improve their performance in key public administration areas. Australian assistance through the Sub-National Strategy contributed to:

- > **An improved understanding of service delivery constraints at the local level.** Australia supported the Department of Provincial and Local-Level Government Affairs to work with the National Department of Education and the National Department of Health to undertake a study of funding flows to the local level. The research continues, but early findings provide an understanding of how facilities cope with too little funding and what impediments there are to efficient service delivery.
- > **Improved provincial budgets.** The data and unit costing tool of the National Economic and Fiscal Commission, supported by budget advisers of the Provincial Performance Improvement Initiative, led to improved budgets for provinces (including Central, Sandaun, West New Britain and Milne Bay) focused around service delivery needs. Australia supported the 2007 Provincial Expenditure Review to demonstrate how much provinces were spending in each sector relative to how much they needed to spend to provide basic services.
- > **Increased attention paid to provincial performance and reporting.** In 2008 provincial performance reports, which outline provincial performance in key service delivery areas, were tabled in the Parliament for the first time.
- > **Clearer service delivery responsibilities for each layer of government in PNG.** These responsibilities were clarified through the 2008 Functional Assignment Study.
- > **Improved coordination of planning, budgeting and implementation of services across sectors.**<sup>35</sup> The Provincial and Local-level Service Monitoring Authority continued its revitalisation, which included engaging with 13 new provinces through the Provincial Coordination and Monitoring Committees, which coordinate and monitor service delivery. These committees are also emerging as a key tool to promote improved communication between national and provincial agencies.
- > **Greater alignment of human resources with service delivery responsibilities.** The Provincial Performance Improvement Initiative assisted with the devolution of human resource powers in several provinces by supporting restructures in East New Britain, Eastern Highlands and Milne Bay.

There is a risk that the capacity of provinces to spend additional funds in a way that improves service delivery will be exceeded by the increased flow of funds from the reform to intergovernmental financing. There is also a major risk that these additional funds will be directed mostly away from recurrent service delivery towards administration, salary and capital works, in line with current expenditure patterns.<sup>36</sup>

<sup>35</sup> Department of Provincial and Local-Level Government Affairs, 'Overview of provincial coordinating and monitoring committees', October 2008.

<sup>36</sup> In 2008 the National Economic and Fiscal Commission continued to publish its annual 'review of provincial expenditure'. This review details these expenditure patterns and continues to provide a strong point of dialogue with provinces, the national government and civil society about the low quality of provincial expenditure on service delivery and MTDS goals.



## Objective 2: Increased quality of and access to education

### Rating

- The objective will be partly achieved within the timeframe of the strategy.

The education sector has not had improvements in primary completion rates, youth literacy or female enrolment rates during the past decade. However, for the first time a detailed and costed plan for universal basic education, to complement the PNG Government's National Education Plan, will be completed in 2009 and will provide a roadmap to increase enrolments and the quality of education.

This rating reflects confidence that the new strategy and delivery mechanism for Australian support under the Partnership for Development will increase progress towards this objective.

### Assessment of results and performance

The central conclusion of an evaluation of Australian aid for education was that:

The benefits that have accrued from more than 10 years of investment and support for a set of substantive education projects have made some limited inroads into realising the rights of all children in PNG to a complete cycle of basic education of acceptable quality. Overall the projects have contributed little to overcoming the deep-seated structural and institutional barriers to financing, organising and managing basic education services in an effective and sustainable way.<sup>37</sup>

In 2008 AusAID moved decisively away from supporting discrete supply-side improvements to education. Stronger analysis of the barriers to, and costs of, increasing enrolment has strengthened the discussion between the PNG Government and development partners on the way forward. However, it is estimated that government expenditure on education (currently K691 million a year) is well below the estimated cost of achieving universal basic education by 2015 (K1.3 billion a year).<sup>38</sup> The negotiation of the basic education schedule under the Partnership for Development in 2008 contributed to increasing the analysis of the cost of supporting the plan. This included highlighting the funding gap and the need to allocate resources to the highest priority areas based on a range of credible resource envelopes (budget ceilings).

Meanwhile, under existing programs Australian support assisted PNG to:

- > **Implement the National Teacher In-service Plan** for the period 2007–14 to strengthen PNG's new school curriculum. Almost 1000 school clusters were formed to deliver a program of professional development at the local level to 27 824 teachers. The cluster-based approach used for teacher in-service training is also a trial of how government resources, including aid, can be better delivered in a decentralised environment and provides guidance on new ways of getting support to schools.
- > **Reform elementary teacher training.** This included developing the curriculum for a 12-month full-time elementary certificate to replace the existing 6-week and on-the-job training model.

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<sup>37</sup> Office of Development Effectiveness, *Improving the provision of basic education services to the poor in Papua New Guinea: a case study*, Australian Agency for International Development, Canberra, 2009, p. x.

<sup>38</sup> AusAID assessment based on the unit cost of education study.



- > **Strengthen education service delivery at subnational levels.** This was achieved by providing support for provincial education offices, the preparation of provincial education plans, a coaching program for provincial education advisers, regional forums, the establishment of regional facilities for the National Department of Education, and grants to schools for the retention of students.
- > **Increase the inspection of schools by Standard Officers.** In 2008, 65 per cent of elementary schools and 69 per cent of primary schools were visited by Standard Officers to support teachers and inspect schools.
- > **Improve schools infrastructure.** Australia provided maintenance grants to 2603 schools and provided new classrooms and other school infrastructure to 74 schools.

Australian support also assisted the education sector to continue to develop a network of District Women Facilitators across PNG. The number of facilitators increased from 323 in 2007 to 383 in 2008. Facilitators are seen as role models for the community, advocate gender equality and create an enabling environment for female representation on school boards of management and subcommittees. They contribute to enhancing the awareness of the important contribution that women can make to schools, increasing the number of school facilities for female students and increasing female enrolment. There is a risk, however, of losing District Women Facilitators in the new sector-wide approach to education, which will need to be considered throughout the transition.

### Objective 3: Increased quality of and access to health services

#### Rating

- The objective is unlikely to be achieved within the timeframe of the strategy.

The National Department of Health successfully managed the national roll-out of some vertical programs, which increased immunisation coverage and achieved disease-specific successes. Improved leadership and health delivery structures, together with the beginnings of overhauling donor assistance, suggest that outcomes may begin to improve in the medium term. But for the present this is not happening.

#### Assessment of results and performance

At the provincial level, the funding and capacity to deliver health services remained a crucial constraint to improving health outcomes in 2008. As in previous years, health remained the worst supported MTDS priority by the PNG Government. In 2007 the National Economic and Fiscal Commission estimated that provinces spent on average only 21 per cent of the cost of delivering basic services.<sup>39</sup> Although marginally better than in 2006 (19 per cent) it is a long way from meeting the full cost of basic services. This reflects a lack of funds, but also shows the low priority accorded to the health sector by many provincial governments.

The 2008 evaluation of the delivery of health services<sup>40</sup> confirmed the need identified in the 2007 annual program performance report to significantly change support for health and the

<sup>39</sup> National Economic and Fiscal Commission, 'Closing the gap: review of all expenditure in 2007 by provincial governments', 2009.

<sup>40</sup> Office of Development Effectiveness, *Australian aid to health service delivery in Papua New Guinea, Solomon Islands and Vanuatu: evaluation report*, Australian Agency for International Development, Canberra, June 2009.

need to work closely with the PNG Government to adapt the sector's financing arrangements to the new intergovernmental financing arrangements. The sector-wide approach and the Capacity Building Service Centre have supported a parallel system, giving the National Department of Health decision-making power over provincial resources, which has undermined provincial responsibility for delivering services and distracted the department from its core role of providing whole-of-government leadership for the sector's strategy and budget.

The evaluation found rigorous controls and auditing of funds in a joint donor trust account had contributed to delays in releasing funds for priority health activities. However, the greater disbursement of funds in 2008 (K102 million, up from K48 million in 2007) suggests some improvement in implementation, although more is needed. In 2009, reforming these arrangements so that they are in line with government systems and mandates will be prioritised through the health sector steering committee.

In 2008 there were promising developments in the management of the health sector at the national level. The PNG Government and development partners recognised the need to align health sector funding with subnational responsibilities and a number of actions were taken to reorient support for the sector. The developments included:

- > reforming the intergovernmental financing arrangements, which, from 2009, will make increased funds available to provinces for operational costs of delivering health services
- > creating a new sense of purpose and leadership in the National Department of Health, which produced its first corporate plan (with Australian assistance) focusing on its core responsibilities within the decentralised system
- > rolling out the Provincial Health Authorities Act for trial in three provinces (Milne Bay, Eastern Highlands and Western Highlands) to streamline the management of provincial health services under one board, so that hospitals are part of the provincial system (with assistance from the Capacity Building Service Centre)
- > establishing the health sector steering committee, designed to bring senior whole-of-government oversight to the sector-wide approach
- > realigning the Capacity Building Service Centre to support subnational priorities.

These achievements are mainly in process; however, these substantial changes are needed to influence long-term health outcomes.

The sector's strategic goals recognise the health needs of women, particularly maternal health. These received renewed attention in 2008 after concern was sparked by the release of the maternal mortality estimate from the Demographic and Health Survey. This led to the establishment of a maternal health taskforce. Development partners, including AusAID, advocated action on gender issues and provided technical assistance to raise awareness within the National Department of Health and at facility level. This led to the recruitment of a local domestic violence project officer in the department in 2009. It also led to the department adopting an official policy position banning 'fight fees', which are sometimes charged by facilities for treating domestic violence injuries (but some facilities continue to charge these fees).

In 2008 Australia strengthened its bilateral policy dialogue with PNG on health outcomes through the negotiation of the health schedule under the Partnership for Development. This negotiation focused attention on what it would take for PNG to achieve the health MDGs and included discussions on fundamental constraints in the sector. Major areas of policy dialogue between development partners and the PNG Government in 2008 included medical supplies, governance arrangements, human resources and health financing.

In 2008 Australia, with other development partners, supported PNG in:

- > **Immunising more than 900 000 children against measles and other childhood illnesses**, with six provinces reaching more than 95 per cent of children. This was a good example of development partners, including AusAID, WHO and UNICEF, working with the National Department of Health and provincial authorities to implement a common plan.
- > **Decreasing malaria incidence and deaths**. Concerted support from development partners (including the Global Fund) for malaria programs brought about this improvement. In 2008 PNG developed the National Malaria Control Strategic Plan with support from development partners, including AusAID.
- > **Increasing the coverage of its National TB Program** from 15 per cent of the population in 2007 to 34 per cent in 2008. This expanded access to high-quality fixed-dose combination drugs, which are now available in 39 districts (up from 12 in 2007). Treatment success rates reached 71 per cent in 2007 (up from 53 per cent in 2002).
- > **Increasing education on sexually transmitted infections in PNG and their treatment**. The PNG Australia Sexual Health Improvement Program established 12 sites in eight provinces in 2008.
- > **Maintaining critical functions of the National Department of Health**. The Capacity Building Service Centre provided much needed in-line support to critical functions of the National Department of Health covering, for example, HIV/AIDS, maternal welfare, immunisation and disease control. It also maintained functionality within the management branch of the Health Services Improvement Program, including procurement and audit units.<sup>41</sup> The Capacity Building Service Centre, using regional teams, also supported the delivery of services at subnational levels through work with provincial health offices and hospitals and at facility level in some districts.
- > **Conducting research that targets PNG's health sector priorities**. In 2008 the Institute of Medical Research published 50 research papers in international peer-reviewed journals.
- > **Improving the quality of medical training in PNG**. Support through the Medical School Support Project for the University of Papua New Guinea School of Medicine and Health Sciences improved the quality of medical training in PNG by supporting the development of the problem-based learning curriculum and enabling international visiting lecturers and examiners to help with teaching and examinations.

In early 2009 AusAID recruited a health adviser to be responsible for leading AusAID's policy engagement and advocacy on strengthening the sector-wide approach to health. Increasing the alignment of AusAID resources with the sector-wide approach (only 17 per cent in 2008) will remain a priority in 2009, as will working closely with the PNG Government and other development partners on overall sector financing, including ensuring provinces have the funds and management authority to fulfil their service delivery responsibilities.

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<sup>41</sup> Thirteen positions were absorbed into the National Department of Health in 2008, with the remaining nine to be absorbed in the restructure during 2009.

## Objective 4: Improved ability to provide law and justice services

### Rating

- The objective will be partly achieved within the timeframe of the strategy.

The rating reflects continuing progress in strengthening the management of the eight sectoral agencies and some improvements in service delivery. Re-engaging with the police offers the prospect of improvements in that agency, which to date has generated the greatest risk to the achievement of objectives in law and justice.

### Assessment of results and performance

Support for the law and justice sector continued to achieve measurable progress towards most of its objectives. Where there is strong leadership at senior levels, activities progressed well and began to lead to visible improvements in service delivery such as in legal aid, the district courts and crime prevention at the local level. However, where there have been management or leadership issues, progress was less apparent. This was the case in the Ombudsman Commission and the national courts until late 2008, when a new Chief Justice and a Chief Ombudsman were appointed. Where significant donor support was lacking, there was equally less evidence of progress, which was the case for the Royal Papua New Guinea Constabulary.

In 2008 the combined recurrent budget for the law and justice agencies increased by 11.5 per cent. The development budget increased by 17 per cent, of which the vast majority came from the PNG Government. This was commensurate with the identification of law and justice as a priority sector in 2008 and reflected improved engagement between the law and justice sector and central agencies. Increased recurrent budget allocations in recent years have significantly boosted the performance of agencies, which have invested more in maintaining infrastructure and assets, which will benefit capacity in the longer term and result in more sustainable investments.

A new program of support for law and justice was finalised in 2008 through a genuinely joint process, which had the support and contributions of a large range of stakeholders, both in PNG at national and subnational levels and in Australia. Joint governance and management arrangements were designed to ensure that PNG's ownership and leadership of the reform agenda are maintained and strengthened, while meeting the accountability requirements of both governments. Under the new program, planning, budgeting and implementation will be undertaken on an annual basis through the PNG Government's systems and processes, which also will receive significant support. As a result of this joint process, the program design was well received by PNG government partners from within the law and justice sector and the Department of National Planning and Monitoring, which augurs well for the development of the law and justice schedule of the Partnership for Development in 2009.

In 2008 Australian support assisted PNG to:

- > **Improve services for victims of domestic and sexual violence.** Port Moresby's Yumi Lukautim Mosbi crime prevention activity continued to strengthen its services for victims of domestic and sexual violence and received the United Nations 2008 Habitat Award in recognition of excellence in urban safety and youth crime prevention.

- > **Fund 22 (up from 13 in 2007) civil society organisations to provide community justice and crime prevention services.** These organisations cover a wide range of areas, including human rights, domestic violence, community development and welfare.
- > **Improve policing, safety and crime prevention in Eastern Highlands,** a target province under the sector's Provincial Engagement Framework. District Peace Management Teams are operating in all eight districts, 46 new female village court magistrates and land mediators were sworn in, and civil society organisations have been engaged to implement crime prevention initiatives.
- > **Significantly increase access to village courts.** These courts are the first entry point into the formal justice system for most Papua New Guineans. 350 women were recruited and trained as village court magistrates in 2008, up from 18 in 2007.
- > **Strengthen police services in Bougainville** in accordance with the Peace Agreement and Bougainville's Law and Justice Strategy. One hundred police officers were recruited and trained, a permanent Bougainville Police Service training facility was established, an assessment of the training needs of the Bougainville Police Service was undertaken and a training plan completed, and an electronic case management/tracking system for prosecutions was introduced.
- > **Improve access to legal aid.** Legal aid services were established in six additional provinces, which are now providing legal, paralegal and advocacy services at the provincial and district levels. This contributed to an overall increase in the number of criminal cases (up 26 per cent on the 2007 number) and civil cases (up 194 per cent) opened by the public solicitor in 2008.<sup>42</sup>
- > **Improve conditions for detainees.** Ongoing infrastructure work resulted in substantially improved conditions for detainees in correctional institutions at Beon (Madang Province), Biru (Oro Province) and Buimo (Morobe Province).

Despite this progress, the results of community crime prevention surveys undertaken in targeted provinces indicate that community confidence in police services remain low. Reforming and strengthening the Royal Papua New Guinea Constabulary remains a critical priority for the sector. In 2008 an agreement was reached between the Australian Federal Police and the Royal Papua New Guinea Constabulary to re-establish support to the constabulary in coordination with the broader sectoral approach. This is an important development that has the potential to positively influence future outcomes in the sector. Political support in PNG for policing remains critical to making progress in this area.

## Expenditure

Approximately \$145 million—34 per cent of the 2008 budget for the PNG program—was allocated to improve service delivery and stability.

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<sup>42</sup> Government of PNG, Law and Justice Sector, 'Annual performance report 2008' (forthcoming).

## Development theme 4: Strengthened, coordinated and effective response to the HIV and AIDS epidemic

### **Objective 1:** **Stabilise the spread of new infections by 2020**

#### Rating

- The objective will be partly achieved within the timeframe of the strategy.

As expected the prevalence rate of HIV/AIDS continued to rise in 2008. However, the HIV and AIDS program is still on the right track, as there was a steady increase in the availability of voluntary counselling, testing and treatment, an increase in the monitoring and management of the risks to scaling up the national response to the epidemic through non-state actors, and improved reporting on HIV/AIDS and effective engagement with some provinces.

Nevertheless, major doubts remain about how the scale of the national response can be expanded in coming years.

#### Assessment of results and performance

The increasing prevalence of the epidemic in rural areas is a major challenge to developing and sustaining an effective national response, especially with weak infrastructure and poor-quality services at the district level. Substantial increases in the number of HIV cases in the highland provinces were detected in 2008, with worrying trends in some districts. The data show a clear pattern of HIV infection in provinces along the Highlands Highway.

In 2008 Australia provided around 57 per cent of the total resources available to respond to the HIV and AIDS epidemic; the PNG Government's funding accounted for 13 per cent. Australia supported the implementation of the HIV and AIDS program by providing funding to non-government organisations (NGOs), including churches, building the capacities of key coordination agencies and providing technical support to these agencies. Australian support has a significant presence nationally as a result of its activities in highland, coastal and island provinces, but it is still not at the scale required to make an impact on the epidemic.

NGOs, including church-based agencies, are providing most of the prevention, treatment and community support activities. Increased funding for these organisations during 2008 assisted in extending the scale of HIV services to provinces; however, it also highlighted the capacity constraints in these organisations in terms of providing effective oversight, monitoring and reporting, program design, planning and financial controls.



Australian support assisted PNG to:

- > **Strengthen mechanisms to support and advocate for people living with HIV.** The mobilisation of people living with HIV was evident in 2008, with groups established in Lae, Hagen and Goroka. In November 2008 the first national conference of people living with HIV was held with the aim of establishing a network of positive organisations in the country. However, these groups require significant support to clarify their roles and functions in relation to the wider national response.
- > **Strengthen implementation and service delivery through civil society.** Fifteen major implementing partners, which included five new partners, were funded to deliver the majority of HIV services that support the national response. Civil society is the primary mechanism for implementing the national response, and 51 per cent of the Australian resources were directed to these partners. The quality of the some services provided were improved as a result of reviews of program development and design as well as specific technical support to address gender issues.
- > **Establish a gender equality network across all implementing NGO partners** to support the integration of gender considerations into HIV programs
- > **Build more effective strategic engagement by partners in priority geographic areas and activities.** Bougainville Province was included for the first time as the principal province for strategic engagement by a new partner.
- > **Extend voluntary counselling and testing services** into new districts and provinces. By the end of 2008 there were 62 voluntary counselling and testing sites and 256 testing sites (up from 9 sites in 2005). About 93 000 people accessed these services, 48 per cent more than in 2007.
- > **Distribute more than 5 million condoms** through NGOs (up from 3 million in 2007).

Progress in **addressing HIV/AIDS issues across the aid program** continued in 2008.

- > In the **education sector** the aid program supported the leadership within the National Department of Education to develop a national HIV policy and plan for addressing HIV within the sector aligned to the National Strategic Plan for HIV/AIDS. HIV-sensitive curriculum development and teacher training were progressed, including an increased focus on counselling. This has the potential to reach one million students.
- > In the **public sector** the National Training Council incorporated the PNG Government's policy on HIV and AIDS into its draft National Quality Framework, including the requirement that all major courses must have content relating to HIV/AIDS awareness and each institution must have a management plan relating to HIV and AIDS.
- > In the **law and justice sector** all agencies have developed workplace policies and are addressing gender equality and HIV and AIDS issues in their workplaces and in their core business. Medical and health services for prisoners have been improved and include HIV awareness, peer education, and voluntary counselling and testing. Village court officials have been trained in issues associated with gender equality, human rights, HIV and AIDS, and gender-based violence.
- > In **civil society**, there was an expansion of HIV awareness-raising activities through the Church Partnership Program. The Papua New Guinea Sports Federation became a member of the Kicking AIDS Out Network, an international network that trains peer educators.
- > In the **transport and infrastructure sector** the Transport Sector Support Program worked with provincial AIDS councils to increase HIV awareness and distribute condoms

in rural areas. Voluntary counselling and testing has increased at the Morobe work camp, and drama groups are funded to perform HIV skits in public places.

A stocktake of HIV mainstreaming in PNG was conducted in 2008 and led to recommendations for the future. These included developing a mainstreaming strategy for the PNG aid program, which will be progressed in 2009. This should assist in judging whether any given set of contributions is sufficient.

There remain substantial issues in terms of the capacity of the PNG Government and donors to resource a fully scaled-up national response, as well as issues relating to the capacity of implementing partners to realistically scale up and manage activities that can demonstrate quality and effective interventions.

## Objective 2: Effective care and treatment of those infected

### Rating

- The objective will be partly achieved within the timeframe of the strategy.

### Assessment of results and performance

As noted in the 2007 annual program performance report, progress towards this objective is tied at least in part to the performance of the health sector. Encouraging changes in that sector should lead to improvements in the management of care and treatment for people living with HIV/AIDS, but in the short to medium term the delivery of services is mainly being carried forward by civil society and donors.

In 2008 Australia contributed to:

- > **Extending anti-retroviral therapy services into more regional and provincial hospitals.** By the end of 2008 there were 50 anti-retroviral therapy sites established (up from 38 in 2007) in all provinces except Manus and New Ireland, but at this stage only 35 can provide treatment. However, the sites are completely inaccessible for remote communities, which account for an estimated 50 per cent of the national need. The escalating epidemic in rural areas will increase the demand for services in more remote communities.
- > **Training 450 health care workers to administer anti-retroviral therapy** (52 had been trained at the beginning 2006).

The delivery of testing and treatment to antenatal clients lags behind other anti-retroviral therapy services due to the poor quality of maternal and child health services, and the lack of staff skills and facilities for counselling and treatment. A review of the Prevention of Parent to Child Transmission Program will be undertaken in 2009.

Performance issues in health service delivery have major impacts on an effective response to HIV. Australia supports the National Department of Health on policy and programmatic issues, including surveillance, Global Fund implementation, and treatment and care services. The Capacity Building Service Centre has provided much needed in-line support to critical functions of the HIV and AIDS Unit in the National Department of Health. Partnerships with the Clinton Foundation, WHO and UNICEF have assisted in ensuring there is a coordinated approach to supporting the department in its HIV and AIDS activities.



### Objective 3: Strengthened national capacity to lead, coordinate and implement the HIV response

#### Ratings

- In the PNG Government the objective is unlikely to be achieved within the timeframe of the strategy.
- In civil society the objective will be partly achieved within the timeframe of the strategy.

#### Assessment of results and performance

There was a marked absence of political and institutional leadership of the HIV response during 2008. Fundamental capacity and organisational constraints within the National AIDS Council Secretariat continued to undermine its ability to lead the national response and undermined confidence in its ability to adequately perform. Despite substantial increases in the resources of the secretariat during 2008, disbursements to support the national response were often slow and not well targeted (69 per cent of the development budget was administered on time). This resulted in a dramatic reduction (two-thirds) in the PNG Government's resource commitments to the secretariat's budget for 2009.

In this context, during 2008 Australian assistance focused on particular strategic priorities within the secretariat, including senior management, financial and procurement systems, provincial AIDS committees, planning processes, grants and research.

In 2008 Australia assisted PNG to:

- > **Enhance the provincial response.** Ongoing technical assistance was provided to the provincial programs of the National AIDS Council Secretariat, leading to enhanced support and supervision of the provincial AIDS committees. New guidelines for managing and coordinating provincial and district HIV and AIDS activities were distributed to all provinces. Some provincial governments increased budget support to the AIDS committees, and timely disbursements to the provincial AIDS committees from the National AIDS Council Secretariat improved significantly.
- > **Strengthen national monitoring and evaluation to inform the response.** The Output Monitoring Guidelines of the National Monitoring and Evaluation System were rolled out, and the Provincial Monitoring, Evaluation and Surveillance Team<sup>43</sup> was established in the provinces. The national Monitoring and Evaluation Data Centre was established to analyse, store and disseminate HIV data. The National Research Co-ordination Unit was established. The first national surveillance report (for 2007) was launched in 2008. The UNGASS report was submitted with data on 15 of 24 indicators. This was the first time that such data were provided, as previous reports included only a narrative on progress. However, challenges remain in establishing consistent reporting and moving beyond data input to using information to prepare analysis and improve programming to be more targeted.

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<sup>43</sup> The Provincial Monitoring, Evaluation and Surveillance Team is a technical committee comprised of provincial laboratory technicians, hospital managers, doctors, disease control officers and provincial HIV response coordinators whose function is to analyse provincial data in the provinces.

- > **Strengthen key planning and policy processes.** Progress included: developing the third annual plan for implementation of the National HIV/AIDS Strategy; working towards a draft of the National HIV Prevention Strategy and a draft of the National Leadership Strategy to be launched during 2009; reviewing information, education and communication materials and approaches in the lead-up to revising committee guidelines for provincial and district AIDS committees; rolling out nationally the committee guidelines, which clarify their roles and responsibilities; reviewing the Family and Sexual Violence Action Committee Strategy, which led to work on a revised strategy; and launching the National Research Agenda, which established stronger information and analytical work across PNG.
- > **Re-establish the Special Parliamentary Committee on HIV and AIDS and provide leadership training through the Leadership Support Initiative.** However, the committee is yet to attract high-profile parliamentarians as members and its role needs further clarification.
- > **Re-establish the National AIDS Council** in December 2008 after an 18-month absence.

While the National AIDS Council Secretariat remains a high-risk agency, Australian assistance ensured that core operational areas in the secretariat continued to function, pending its anticipated reform and restructure under the newly appointed National AIDS Council. External donor assistance will be critical to the reform and ongoing operations of the secretariat for some time into the future.

## Expenditure

Approximately \$65 million—15 per cent of the 2008 budget for the PNG program—was allocated for a strengthened, coordinated and effective response to the HIV and AIDS epidemic.

## Emerging priorities

The PNG program responded successfully to policy imperatives that emerged in 2008 and were not in the Development Cooperation Strategy.

- > A program was developed and mobilised to fund improved laboratory capacity and clinical management, focusing on tuberculosis in Western Province. A further package of assistance to address cross-border health concerns between Western Province and the Torres Strait will be taken forward in 2009.
- > Support was provided for the Papua New Guinea – Australia Forest Carbon Partnership signed in March 2008. Australia's initial focus was on providing advisers to key PNG agencies, predominantly the Office for Climate Change, to build capacity to develop policy on reducing emissions from deforestation and environmental degradation.
- > The Kokoda Development program was successfully implemented. Fourteen activities along the Kokoda Track were funded to improve the livelihood of adjacent communities. The activities focused on improving the delivery of basic services in the areas of water supply, education, health and transport. Support will continue in 2009.
- > Funding was provided for partnerships between international organisations<sup>44</sup> and local NGOs and for the PNG Government to improve access to eye care services. Opportunities for further support will be explored in 2009 in line with the PNG's recently endorsed National Policy on Disability.

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<sup>44</sup> The Institute for Eye Research and the International Centre of Eyecare Education.

## Enabling theme 1: Alignment of PNG and donor resources

Increasing numbers of donors are using PNG plans for education, health, law and justice, transport, and HIV and AIDS. Data for 2007 showed that 42 per cent of overall aid was provided through program-based approaches.<sup>45</sup> It is expected that this proportion will continue to increase. In 2008 Australian assistance supported the ongoing development of sectoral plans for education, transport and health. Sixty-seven per cent of Australian aid disbursements were recorded in the PNG budget. Through the Partnership for Development, there will be renewed emphasis on discussing the total resources available for sectoral priorities (including improving the recording of Australian aid in PNG budgets) and prioritising within budgets. The partnership will also introduce greater funding certainty by providing estimates of forward baseline funding.

The 2009 budget was disappointing in terms of its alignment of the PNG development budget with MTDS priorities. The PNG Government estimates the proportion of total budget expenditure (recurrent and development) allocated to MTDS priorities will be about 56 per cent, equivalent to the 2008 proportion. Despite a marked increase in the development budget, the budget's alignment with the seven MTDS priorities deteriorated to 74 per cent, compared with 84 per cent in 2008, 89 per cent in 2007 and 84 per cent in 2006. This is due to high spending on general government administration and services (salaries), not included in the seven areas of expenditure priority.

The 2009 development budget recorded decreases in funding for HIV/AIDS (by 66.6 per cent), law and justice (24 per cent), transport (critical maintenance recurrent budget by 38 per cent) and education (although an increase in nominal terms, it declined in real terms by 4.8 per cent). However, as noted previously, there was a 40 per cent overall increase in the recurrent budgets of the provincial and local-level governments in line with new intergovernmental financing arrangements.

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<sup>45</sup> OECD, 2008 survey on monitoring the Paris Declaration: making aid more effective by 2010, Organisation for Economic Co-operation and Development, Paris, 2008.

## Enabling theme 2: Capacity building and integration with PNG systems

Capacity building is a key focus of all Australian programs of support in PNG. In 2008 the aid program produced a large body of analysis on the effectiveness of its capacity-building support through reviews of sectoral programs and design processes and a desk review of approaches to capacity building across 12 programs in PNG.<sup>46</sup> This analysis showed that increasingly the PNG Government is becoming an equal partner, if not the leader, of capacity-building interventions by helping to identify needs, select technical assistance and develop terms of reference.<sup>47</sup> Also programs owned and led by the PNG Government, such as the Provincial Performance Improvement Initiative, are experiencing strong results.

The primary method used in the PNG aid program to build capacity is technical assistance, which makes up 35 per cent of Australia's aid to PNG (28 per cent through advisors and 7 per cent through training). Technical assistance includes expert advisers (international and Papua New Guinean), twinning and mentoring to support policy development, service delivery, financial management and human resource management. Well-targeted technical assistance has proven to be effective in improving PNG's capacity to deliver basic services. However, there is also increasing realisation that, even with the best possible technical advice, public sector reforms will not be sustainable until donors develop appropriate responses to the political and cultural factors limiting the effectiveness of capacity-building efforts.<sup>48</sup>

Evidence shows that the innovative technical assistance and other capacity-building approaches of several programs are producing good results, particularly the law and justice program, the Sub-National Strategy, and education programs.

- > Australia's support through the law and justice program is effectively building capacity, particularly through the use of the Core Support Team. This team of advisers has expertise in a range of corporate functions from planning and budgeting, to human resources and finance. The success of this approach is in working across agencies, supporting cross-sectoral working groups and establishing capacity to monitor performance and outcomes.
- > The Sub-National Strategy has supported all participating provinces in the Provincial Performance Improvement Initiative in analysing their own administrative structures and articulating their own objectives, strengths and weaknesses, and in developing corporate plans and capacity-building plans that outline their future objectives. Support is provided through technical assistance, provincial exchanges, provincial peer reviews, incentive funds and a monitoring and rating system to encourage and motivate improvements against those plans. Improvements are being seen in areas including budgeting, planning, human

<sup>46</sup> AusAID, 'PNG country strategy: information on capacity building frameworks by sector 2007–2008', 2008.

<sup>47</sup> Under the Advisory Support Facility Phase 2, individual ministries are asked to identify their own capacity-building needs and develop professional proposals for consideration by a facility management group led by the PNG Government.

<sup>48</sup> AusAID, 'PNG country strategy: information on capacity building frameworks by sector 2007–2008'.

resources and performance monitoring. The greatest motivation for improvement has been found to be competition between provinces.<sup>49</sup> In addition, good-quality technical assistance that takes a 'systems approach' has been extremely effective in supporting the National Economic and Fiscal Commission to reform the intergovernmental financing system so that it is more equitable and related to actual service delivery costs.

- > The Basic Education Development Program has a strong focus on women and provides incentives to build the capacity of community members to improve school quality and infrastructure.<sup>50</sup>
- > The Making a Difference Program is facilitating resource sharing and mutual understanding about capacity building across all Australian-supported development activities and by doing so is enhancing cross-program coherence.<sup>51</sup>
- > The redesign of the Enhanced Cooperation Program to become the Strongim Gavman Program strengthened PNG ownership of the program, sharpened the provision of mentoring and capacity development to ensure that skills are transferred directly to PNG counterparts, and strengthened the monitoring and evaluation systems. However, the program needs to be realistic in its objectives and expectations for capacity building and to more clearly acknowledge when it is in a 'holding operation'.

Further work is required to ensure more effective capacity building on the ground. This means increasing our understanding of all dimensions of the areas requiring greater capacity and of the benefits and limitations of different capacity-building responses. A broader range of capacity development assistance, including alternatives to technical assistance, needs to become a feature of the PNG aid program. Better monitoring of capacity development is required to ensure that interventions are effective; guidelines have been developed to assist in this area.

Integration of support with PNG government systems is intended to strengthen the PNG Government's capacity to lead the country towards robust development outcomes. Australia's aid priorities have been aligned with PNG's policy frameworks and have supported the PNG Government's own program of development for some years. However, the current challenge is to better integrate Australian support with PNG's public financial management systems in a decentralised system of government. The approach taken needs to be more transparent and systematic across the program. The 2008 survey on monitoring the Paris Declaration suggested that, by 2010, 33 per cent of aid to a country's government sector should use its public financial management systems, based on the capacity of their systems, but noted the PNG Commitment on Aid Effectiveness set a more ambitious target of at least 50 per cent by 2012. The survey found that 17 per cent of Australian aid to PNG's government sector used PNG public financial management systems in 2007.<sup>52</sup>

In 2008 substantial support was provided to the PNG Government to improve financial management across national and subnational levels of government, as outlined under 'Development theme 1'. However, there remains a key risk that in the short term using government systems that are in the process of being developed can delay results, including service delivery in critical sectors. The PNG program of support will continue to strengthen its diagnostic analysis to better articulate how it will balance the short-term service delivery

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<sup>49</sup> Sub-National Strategy, 'Mid-term review report', 2009.

<sup>50</sup> AusAID, PNG country strategy: information on capacity building frameworks by sector 2007–2008.

<sup>51</sup> Evaluation of Making a Difference Program—Part 2, Papua New Guinea, Review 2008.

<sup>52</sup> OECD, p. 39.

imperatives with commitments made under the Paris and Accra declarations to work through government systems. Some achievements and lessons on integration with PNG systems across the program follow.

- > Assistance provided through the Sub-National Strategy to the Provincial Performance Improvement Initiative provides a good example of integration with provincial systems for planning, budgeting, accounting and reporting. The assistance is reflected in PNG's chart of accounts and supports provinces in preparing their reports for parliament (such as s119). It does not require additional reporting.
- > In the law and justice sector, further integration with PNG government systems occurred in 2008 as all development budget funds were managed through the PNG accounting systems rather than a parallel financial management system. This integration was accompanied by support to strengthen financial management through ongoing training, and support to undertake a program of roving audits and to report on fraud or suspected fraud.
- > In the education sector, the PNG Government and development partners collaborated to produce a series of analytical and diagnostic papers to further assess opportunities for increased integration of donor systems with PNG systems, including assessments of procurement and financial management capacity. Australia's support under the education schedule of the Partnership for Development will gradually rely more on PNG government procedures to disburse and account for all resources.
- > In the health sector, the joint donor trust account managed within National Department of Health prepared the way for using government systems, and built capacity for good financial management. However, the funds are still separated from recurrent PNG government funds, and rigorous controls and audits have contributed to delays in releasing funds for service delivery. Continuing to improve this approach, under the broader repositioning of Australia's assistance to the health sector, is a priority for 2009.



## Enabling theme 3: Effective partnerships with and beyond the PNG Government

### Government

In 2008 there was increased engagement between Australia and PNG at the prime ministerial level as well as the ministerial level, which led to a renewed commitment to work cooperatively through the Partnership for Development. New agreements were also established: the Papua New Guinea-Australia Forest Carbon Partnership, and the Joint Understanding between PNG and Australia on the Kokoda Track and Owen Stanley Ranges.

Patterns of engagement with PNG partners over the past few years—direct AusAID management, co-location and contracting of advisers—are translating into a well-developed understanding of trends in institutions. The co-location of AusAID officers in the Department of Provincial and Local-Level Government Affairs and in provincial administrations (Eastern Highlands, East New Britain, Central and Bougainville) continues to assist with strengthening relationships with government counterparts and to understand, come behind and contribute to the programs and reforms of responsibilities of the department and specific provincial administrations. However, at the national level, opportunities to engage with AusAID's key counterpart, the Department of National Planning and Monitoring, weakened when Performance Review and Dialogue ceased and the placement of an AusAID officer in the department was discontinued.

### Civil society

In 2008 Australia strengthened its support to civil society through a number of partnership arrangements such as the Church Partnership Program, which facilitated policy dialogue and learning both between churches, and among churches, governments and civil society. The Agriculture Innovative Grants Scheme supported creative partnerships among NGOs, the private sector and government. More than half of the budget of the HIV and AIDS program was allocated to NGO partners (including churches and the private sector). A number of partnership arrangements between key Australian NGOs and PNG NGOs that work on providing services in the areas of HIV and AIDS and sexually transmitted infections were also established for capacity building.<sup>53</sup>

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<sup>53</sup> The HIV and AIDS partnerships include Scarlet Alliance and Friends Frangipani, and the National Association of People Living with HIV and AIDS and Igat Hope; the PNG–Australia Sexual Health Improvement Program supported Australian NGOs to partner with PNG counterpart organisations and provincial governments to build capacity to deliver services related to sexually transmitted infections.



## Other donors

Progress was made in increasing donor coordination in 2008 when Australia joined with other development partners to sign the PNG Commitment on Aid Effectiveness, which localises the Paris Declaration. An action plan and targets were established; however, mechanisms to monitor this commitment have not been operationalised as yet.

Supporting the PNG Government's own programs is the preferred avenue to donor coordination. AusAID participates in program-based approaches in a number of sectors (health, law and justice, transport and, soon, education) where increasing collaboration with development partners is supporting stronger policy dialogues with the PNG Government on critical issues. In sectors where sector-wide approaches do not exist, such as in the economic and public service sector, Australia is working closely with the Asian Development Bank, the World Bank and the United Nations Development Programme to support PNG government reforms such as PERR and the Financial Management Improvement Program. At the subnational level, AusAID has taken the lead in supporting donor coordination. A regular roundtable has commenced, where representatives from the European Union, NZAID, the World Bank and the Asian Development Bank discuss opportunities for collaboration.

## Whole-of-government coherence

The aid program invested extensively in whole-of-government coherence in 2008, resulting in much improved relationships with Australian partner agencies working in PNG. The framework for the Strongim Gavman Program was developed in close cooperation and consultation between Australian agencies and stakeholders in PNG, with a view to ensuring greater focus on capacity building, greater integration with AusAID's sectoral programs, and PNG's partnership in the program. AusAID hosted seminars and roundtable discussions on monitoring and evaluation and the aid effectiveness agenda for agencies involved in the Economic and Public Sector Twinning Initiative, which allowed discussion of evolving aid policy and assisted agencies in implementing programs.

New partnerships with the Australian Public Service Commission and Government Skills Australia are being developed to support the activities of the PNG Public Sector Workforce Development Program, and a partnership with the Commonwealth Ombudsman was renewed for assistance to the PNG Ombudsman Commission. The recent peer review of the aid program by the Development Assistance Committee of the OECD noted:

... the whole of government approach has proved effective in making use of the wide range of expertise available throughout the government to develop more comprehensive and effective responses to the significant development challenges in PNG.<sup>54</sup>

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<sup>54</sup> OECD, *Australia: Development Assistance Committee (DAC) peer review*, Organisation for Economic Co-operation and Development, Paris, 2009.

## Enabling theme 4: Gender equality

Efforts to scale up action on gender equality in the Australian aid program continued in 2008 with the recruitment of a gender adviser. This led to gender issues gaining greater priority in the PNG program and to increasing coherence on gender equality considerations. These considerations were also increasingly incorporated into policies, planning documents and designs within the program and externally. A stocktake of gender mainstreaming in the aid program was undertaken and contributed to a draft framework for integrating gender considerations. The framework addresses gender equality against key areas of the PNG Commitment on Aid Effectiveness and will include the outcomes from the PNG national consultations on gender policy.

Significant progress was made in the development of PNG gender policies as a result of Australian support.

- > The Department of Community Development conducted national gender policy consultations. It is envisaged the consultations will lead to a new PNG gender policy and possibly a Gender Equality Bill.
- > The review of the Family and Sexual Violence Action Committee Strategy resulted in work on a revised strategy, which will be finalised in 2009.
- > The National Gender Policy and Plan on HIV and AIDS was developed. It provides guidelines on integrating gender considerations into the National Strategic Plan on HIV and AIDS.
- > A gender strategy for the transport sector was developed.

Strengthening policy discussions on gender issues will be important to encourage the PNG Government to implement and monitor gender policies.

Other achievements in 2008 involving Australian support included:

- > **Supporting the PNG Government's collection of sex-disaggregated data in the health sector** (including HIV) and using the results in the planning of the Household Income and Expenditure Survey, which will produce data in 2010. The use of sex-disaggregated data to inform policy formulation is central to the statistics schedule of the Partnership for Development.
- > **Strengthening gender equality throughout all law and justice agencies** and addressing gender-based violence by mainstreaming gender in all work plans and reports. In 2008 emphasis was given to improving police response to violence against women and girls through frontline policing activity.
- > **Increasing gender awareness through the Church Partnership Program** by supporting a church gender audit, anti-violence programs, a school retention program for girls, and drama programs that address gender issues.

- > **Increasing the focus on gender equality at the subnational levels** by appointing a full-time gender adviser and delivering training on gender issues at the national level and in three provincial administrations. The Sub-National Strategy provided support to East New Britain to develop a gender strategy, which entrenches gender equality in the administration's operations by including training for all ward councillors and local-level government presidents and prioritising funding for ongoing activities and support for female leaders.
- > **Modifying recruitment practices within the Advisory Support Facility**, which now include a competency area relating to skills, knowledge and attitudes concerning women in the workplace to ensure that advisers with a good understanding of gender-based issues are recruited. Improved recruitment practices have been successful in attracting more female advisers, who accounted for 50 per cent of advisers in 2008, up from 3 per cent in 2003.<sup>55</sup>

The 2007 annual program performance report identified a lack of focus on gender equality within the economic and private sector programs. In 2008 some progress was made through the new design of the Economic Public Sector Program, which includes strategies for the more equitable distribution of royalties from extractive industries, a greater focus on policy support for the informal sector, and efforts to continue to strengthen women's participation in budget processes. Because women remain marginalised in private sector development, gender considerations will need to be central to the development of AusAID's policy framework for working with the private sector.

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<sup>55</sup> Advisory Support Facility, 'Six-monthly report', June and December 2008.

# What is the quality of activities in the PNG aid program?

In 2007 the biggest challenge to the quality of the PNG program was the monitoring and evaluation systems. In 2008 there was an overall improvement from last year's assessment, demonstrating some progress in this area. Specifically, programs supporting sector-wide approaches scored higher on their monitoring and evaluation systems, which may demonstrate that the level of performance information is pitched at a more appropriate level for AusAID's and the PNG Government's own reporting purposes. In particular, there is encouraging evidence of PNG government interest in generating and using information in the health and HIV and AIDS sector as well as at the subnational level.

## Quality at entry

Three of the seven PNG initiatives with AusAID reporting requirements went through the formal process of having their quality at entry assessed in 2008: ACIAR–AusAID Partnership for PNG Agriculture, the Provincial Capacity Building Program Phase II and the PNG–Australia Law and Justice Partnership. The remaining four initiatives were exempted: Development Statistics, Gender Equality/Gender Based Violence initiatives (several small discrete expenditure activities), the scholarship facility (extended by 18 months) and the Strongim Gayman Program (exempted from the AusAID design process).

AusAID requires each program to rate the progress of selected initiatives against the five quality-at-entry criteria: clear objectives, monitoring framework, sustainability, implementation and risk management, and analysis and lessons. The ACIAR–AusAID Partnership for PNG Agriculture received ratings of 5 (good quality) for all five criteria. The Provincial Capacity Building Program Phase II received ratings of 4 (adequate quality) for all but its monitoring framework, which was rated 3 (less than adequate). The report for the Provincial Capacity Building Program Phase II noted that the monitoring framework was too general and the program needed additional resources to link it into the broader PNG and Australian performance monitoring framework. The PNG–Australia Law and Justice Partnership rated very highly, with four 6s and one 5. Its design is well regarded within the agency.

Two other activities not captured in AusAID's reporting requirements undertook quality assessment processes. Tingim Laip, an agreement under the PNG HIV/AIDS Program and hence not eligible for a quality-at-entry assessment, received three 4s and two 5s, as did the Health Education and Clinical Services Program.

The PNG program has demonstrated its commitment to increasing the quality of designs, through the creation of the Design Support Team in Canberra. In 2008 this team increased its engagement with and support of sector teams by providing advice in a changing design environment influenced by the Partnership for Development and the PNG Commitment on Aid Effectiveness.

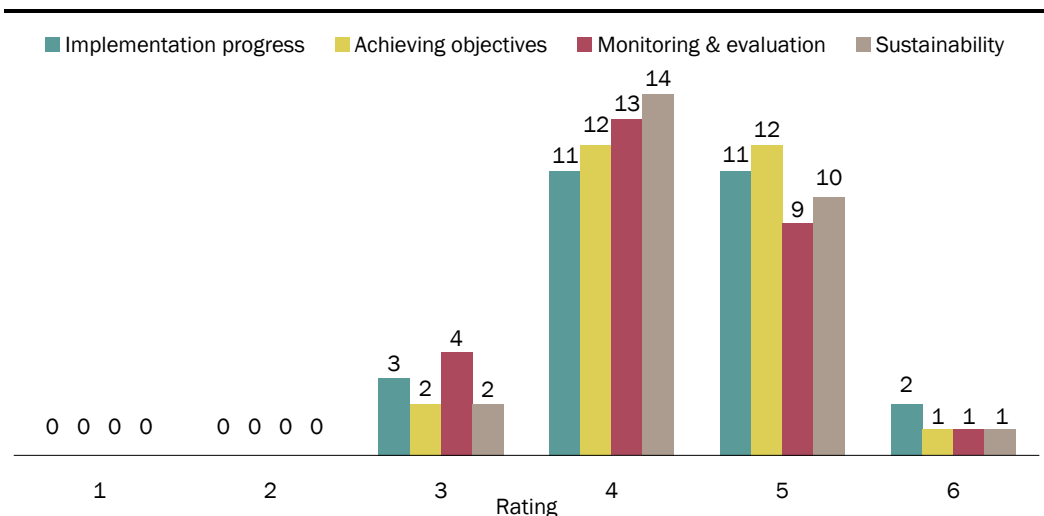
## Quality at implementation

In 2008–09, 27 of a possible 76 PNG program initiatives had their quality at implementation assessed. Although this is a relatively small number of initiatives (36 per cent), they represent, in dollar terms, around 73 per cent of the PNG program's 2008–09 expenditure.

AusAID requires each program to rate the progress of selected initiatives against the four quality-at-implementation criteria—implementation progress, achieving objectives, monitoring and evaluation, and sustainability. AusAID aims to have an overall quality rating of 'satisfactory' for 75 per cent of initiatives. The PNG program achieved an overall rating of 'satisfactory' for 90 per cent (Figure 2 and Table 3).

- > 89 per cent of initiative managers rated the implementation progress as satisfactory (rated 4 or above). This is up from 71 per cent in 2007.
- > 93 per cent of initiative managers determined that their initiatives were achieving their objectives (rated 4 or above). This is up from 86 per cent in 2007.
- > 85 per cent of initiative managers rated the monitoring and evaluation frameworks for their initiatives as satisfactory (rated 4 or above). This is up from 66 per cent in 2007.
- > 93 per cent of initiative managers rated their initiatives' sustainability prospects as satisfactory (rated 4 or above). This is up from 71 per cent in 2007.

**Figure 2: Ratings of 27 initiatives by quality-at-implementation criteria**



Note: Ratings: 6 = very good; 5 = good; 4 = adequate; 3 = less than adequate; 2 = poor; 1 = very poor.

As was the case in 2007, a large percentage of initiatives still required improvements (all initiatives rated 4 or lower). Just over 51 per cent of initiatives required some improvement in implementation, 52 per cent in their achievement of objectives, 63 per cent in monitoring and evaluation and 59 per cent in producing sustainable impacts. Although there was a relatively minor change from 2007 in the number of initiatives rated 4 or lower, analysis shows an increase in the number of initiatives rated as 4 (adequate). Unlike in 2007, no initiative managers rated an aspect of their program as 1 or 2 in 2008. Although 10 per cent of initiative managers rated an aspect of their program as a 3, this is down from 21 per cent in 2007. Around 46 per cent of initiative managers rated an aspect of their programs as 4, which is up from 40 per cent in 2007.

Table 3: Quality at implementation of 27 initiatives in 2007 and 2008

Initiative	Sector	2007 (last year)				2008				Start date	End date	Approved funding
		Implementation progress	Achieving objectives	Monitoring & evaluation	Sustainability	Implementation progress	Achieving objectives	Monitoring & evaluation	Sustainability			
PNG–Australia Agriculture Research and Development	Rural development								Green	01-Jul-06	30-Jun-11	8 521 324
ACIAR–AusAID Partnership for PNG Agriculture	Rural development					Green	Green			01-Sep-08	30-Jun-12	2 250 000
PNG Incentive Fund	Policy, coordination, quality	Green	Green	Green	Green	Green	Green	Green	Green	16-Aug-99	31-Dec-09	5 000 000
PNG Research Program	Policy, coordination, quality									13-Sep-99	31-Dec-10	626 060
PNG Transport Sector Support Program	Infrastructure		Green	Green		Green	Green	Green	Green	22-May-06	30-Jun-12	46 030 978
Key Roads for Growth Maintenance Project	Infrastructure	Green				Green	Green			19-Aug-02	07-Feb-10	10 776 288
PNG Pandemics and EID Program	Humanitarian					Green				01-Jul-06	30-Jun-10	1 418 000
Sanap Wantaim, PNG–Australia HIV and AIDS Program	HIV/AIDS	Green	Green			Green				01-Nov-06	31-Dec-13	25 375 000
Health: Capacity Building Service Centre	Health					Green				11-Aug-04	31-Dec-10	14 500 000
Health Sector Resourcing Framework	Health							Green		03-Mar-03	30-Apr-12	13 106 389
Health Program Response to HIV/AIDS	Health					Green	Green	Green	Green	01-Aug-06	31-Dec-12	10 520 000
PNG Institute of Medical Research Phase 2	Health							Green		01-Jan-07	31-Dec-11	2 100 000
Tertiary Health Services Phase 3	Health	Green				Green	Green			03-Sep-02	28-Feb-09	523 221
WHO Technical Support Health Sector in PNG	Health	Green				Green		Green		23-May-06	30-Jun-09	835 855
Advisory Support Facility Phase 2	Governance	Green	Green	Green		Green	Green	Green	Green	03-Jun-02	31-Dec-09	17 821 473
Economic & Public Sector Governance Twinning Schemes	Governance	Green	Green	Green	Green		Green		Green	01-Jul-07	30-Jun-09	1 492 033

		2007 (last year)				2008						
Initiative	Sector	Implementation progress	Achieving objectives	Monitoring & evaluation	Sustainability	Implementation progress	Achieving objectives	Monitoring & evaluation	Sustainability	Start date	End date	Approved funding
Provincial Capacity Building Program Phase II	Governance								Green	01-Jan-08	31-Dec-10	1 050 000
Education Capacity Building Program	Education									08-Oct-98	31-Dec-09	31 800 000
Basic Education Development Project	Education	Green	Green	Green			Green	Green		13-Aug-01	30-Jun-10	11 500 000
UN Strategic Partnerships Program	Education									18-Apr-05	30-Jun-10	1 500 000
PNG–Australia Targeted Training Facility	ECP/leadership	Green	Green						Green	25-Jul-01	01-Oct-08	4 000 000
PNG Australian Development Scholarships	ECP/leadership	Green	Green						Green	09-Aug-95	30-Jun-09	4 485 513
PNG Church Partnership Program	Democratic governance					Green	Green	Green	Green	28-May-03	30-Jun-09	6 800 484
Electoral Support Program Phase 2	Democratic governance	Green	Green	Green		Green	Green	Green		23-Jun-05	15-Aug-10	7 301 268
PNG Media Program	Democratic governance						Green			23-Sep-03	23-Sep-09	4 017 372
Democratic Governance Program	Democratic governance		Green		Green		Green		Green	05-Aug-05	31-Dec-09	12 023 524
Sport for Development Initiative	Democratic governance									15-May-06	30-Jun-11	3 253 645

## Definitions of rating scale

## Satisfactory (4, 5 and 6)

- 6** Very high quality  
**5** Good quality  
**4** Adequate quality; needs some work to improve

## Less than satisfactory (1, 2 and 3)

- 3** Less than adequate quality; needs significant work  
**2** Poor quality; needs major work to improve  
**1** Very poor quality; needs major overhaul



Only three managers gave aspects of their initiatives the highest possible rating (6), which indicates very high quality. The initiatives were the PNG Transport Sector Support Program, the Advisory Support Facility Phase 2 and the Electoral Support Program Phase 2. The Transport Sector Support Program received a rating of 6 for three criteria—implementation progress, achieving objectives and sustainability. The Advisory Support Facility Phase 2 received a rating of 6 rating for implementation progress and the Electoral Support Program Phase 2 a rating of 6 for monitoring and evaluation.

When the 2007 and 2008 results of initiatives' quality at implementation are compared, for the most part the results improved in 2008. A small number of initiatives had their quality rated significantly higher than in 2007. The Transport Sector Support Program, the Health Program Response to HIV/AIDS and the PNG Church Partnership Program showed the greatest improvement in their quality at implementation.

However, it is difficult to draw conclusions from these ratings because many of the large sectoral programs will be mobilising new initiatives in 2010. The gap between expectation and actual performance may have narrowed as initiatives near their finish. As new programs are mobilised under the Partnership for Development and as ways of doing business change, there may be a drop in quality-at-implementation ratings in 2009.

## Quality at completion

In November 2008 AusAID released new guidelines for independent evaluations of aid activities. These guidelines changed the requirements for independent completion reports and independent progress reports (previously called mid-term reviews). Monitorable activities must now be evaluated at least once every four years. If an independent progress report has been conducted less than two years before the completion of an activity, an independent completion report is not required. These types of report are required to rate activities against eight criteria<sup>56</sup> (not five). In addition, the Operations Policy and Support Branch decided that independent completion reports would replace the quality-at-completion reports that have been used in annual program performance reviews in previous years. These changes in requirements have yet to be implemented.

In 2008, AusAID reporting process identified 22 monitorable initiatives in the PNG program that required independent completion reports. Of the 22 initiatives:

- > 5 initiatives prepared independent completion reports
- > 14 initiatives were exempt from the reporting process or the report was postponed until 2009 (for example, Gazelle Roads and Papua New Guinea – Australia Target Training Facility) (Exemptions usually applied to initiatives that had been evaluated less than two years before completion through other processes (such as those of the Office of Development Effectiveness) or that were anomalies resulting from the migration of budget lines in AusAID systems.)
- > 3 initiatives undertook other forms of independent reviews.<sup>57</sup>

Two other activities not captured in AusAID's reporting requirements—the Curriculum Reform Improvement Program and the Community Development Scheme Phase 2—were

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<sup>56</sup> Relevance, effectiveness, efficiency, sustainability, impact, analysis and learning, gender equality, and monitoring and evaluation.

<sup>57</sup> An independent review outside the independent completion report process was conducted for initiatives in the Enhanced Cooperation Program—Economic and Public Sector Reform, Border Management and Transport Security, and the Law and Justice Initiative.

evaluated through independent completion reports in 2008. The report for the Curriculum Reform Improvement Program made assessments about the relevance, effectiveness, impact and sustainability of the program, but did not provide numbered ratings. The report for the Community Development Scheme allocated ratings of 5 for analysis and learning, 5 for effectiveness and 2 for sustainability.

The five independent completion reports rated initiatives against five criteria—analysis and learning, effectiveness, efficiency, monitoring and evaluation, and sustainability. The PNG program achieved an overall quality rating of ‘satisfactory’ for 60 per cent against all five criteria.

- > 60 per cent of reports rated analysis and learning as adequate (rated 4 or above).
- > 80 per cent of reports determined that the initiatives were effective (rated 4 or above).
- > All reports determined that the initiatives had been efficient (rated 4 or above).
- > 40 per cent of reports rated the monitoring and evaluation frameworks for their initiatives as satisfactory (rated 4 or above).
- > 20 per cent of reports rated the initiatives’ sustainability as satisfactory (rated 4 or above).

Various reasons were given for the weakness in monitoring and evaluation, including poor and ineffective monitoring and evaluation frameworks for the initiatives and not specifying the need for formal monitoring and evaluation frameworks in the contracts for initiatives. And various reasons were given for the poor prospects for long-term sustainable benefits from the initiatives, including the lack of adequate ongoing funding and inadequate staffing.

## What are the management consequences of this assessment?

The increased number of 'red' ratings in 2008 for the likelihood that the PNG program will achieve the objectives of the Development Cooperation Strategy within its timeframe (2006–10) reflects the poor political and administrative environment for progress towards MDGs. This is particularly apparent in the central agencies where so much of the momentum for change needs to be generated. But there is no viable alternative to the central pathway of the strategy, which is to work towards a strong state with the capacity to deliver services and reduce poverty. In a country whose economy depends on a small number of resource projects, only the state can redistribute the wealth generated by those projects.

### Key priorities for 2009

#### Scale up assistance

Australia remains committed to scaling up official development assistance to 0.5 per cent of gross national income by 2015. In the PNG program, increased aid from Australia will focus on improving basic service delivery through the framework of the Partnership for Development.

#### Review the Treaty on Development Cooperation

The review of the Treaty on Development Cooperation, requested by the Prime Ministers of Papua New Guinea and Australia in April 2009, provides the opportunity to examine how the aid program can best assist PNG in the longer term, especially to maximise the development gains from the proposed LNG project. The review will also revisit the central pathway of the aid strategy, reconsider the principles underpinning the aid program, and link future changes in the PNG aid program to PNG's National Strategic Plan 2010–50 and Long Term Development Strategy 2010–2030. It provides an opportunity to strengthen policy dialogue with the PNG Government on the contribution of the aid program to PNG's development.

#### Further the Partnership for Development

The Partnership for Development sharpens the focus of the aid program by placing development results at the centre of the aid relationship and reinforcing the critical importance of mobilising all of PNG's resources (including those from donors) to make progress towards MDG targets. Through the partnership, Australia will strengthen its policy dialogue with the PNG Government and focus on establishing a long-term national approach to public administration and financial management across all levels of government and on developing consequential medium-term programs to support reforms. Implementing the five initial partnership schedules (health,

education, public service capacity, transport infrastructure and statistics) and negotiating a further three (HIV/AIDS, law and justice, and higher education) are key priorities in 2009.

### **Account for the global recession**

The global recession has the potential to affect development outcomes directly due to declines in government revenues. While broadly sound macroeconomic policy settings and accumulated savings give PNG some breathing space, a prolonged recession presents significant risks to the resources available for frontline service delivery. The PNG 2010 budget will need to be reprioritised to take into account the tough fiscal environment.

Australia's response will be directed primarily at maintaining (or, if possible, improving) current levels of service delivery. This will be done, firstly, by progressing the Partnership for Development with a strong focus on mutual commitment for service delivery and, secondly, by strengthening dialogue with the PNG Government on public financial management and its relationship to service delivery. Those elements of the budget that are critical to maintaining levels of service delivery (such as recurrent goods and services allocations) require an explicitly high priority for attention.

### **Maximise the benefits of the LNG project**

AusAID will strengthen its analysis and policy engagement with the PNG Government on the potential impact of the LNG project on PNG's economy and pro-poor growth, including the role for development partners in supporting PNG to maximise the benefits of significantly increased revenue flows.

### **Strengthen service delivery at the subnational level**

In 2009 AusAID will increase its support at the provincial, district and local levels and further develop the Sub-National Strategy in order to inform the whole PNG aid program and ensure it is working in a coherent and consistent way. This will include promoting a coordinated approach among development partners to the way we all engage with the PNG Government on policies for sectoral financing (including at subnational levels). The PNG program will continue to increase its understanding of the benefits and risks of using PNG government systems across all levels of government, including systems for managing expenditure. Analysis currently being undertaken for the design of the new education program and the future health strategy will inform the program's approach more broadly.

### **Strengthen our dialogue on development in PNG**

The PNG program will strengthen its dialogue on development in PNG with a range of stakeholders, including the private sector, development partners, civil society and research institutes. This will involve:

- > redefining objectives and considering more focused entry points for working with the private sector
- > reinvigorating the role of the development banks in strengthening policy dialogue with the PNG Government on public sector reform, and pursuing increased policy dialogue with key donors in specific sectors, such as the European Union in education and the Asian Development Bank in transport

- > engaging more with professional associations and alumni networks, particularly the next generation of leaders
- > strengthening relationships with churches involved in direct service delivery
- > making greater use of the expertise and analysis generated by research institutes in both PNG and Australia.

## Other priorities for 2009

The PNG program will also give high-level attention to:

- > **Progressing the reorientation of Australian assistance to health.** This includes more closely aligning AusAID resources with the sector-wide approach, working closely with the PNG Government and other development partners on overall sector financing and strengthening subnational financing so that provinces have the funds and management authority to fulfil their service delivery responsibilities, and better harmonising our technical assistance and capacity-building inputs with the inputs of other development partners.
- > **Encouraging the PNG Government's ownership and leadership of the HIV and AIDS response** through the negotiation process for the HIV and AIDS schedule of the Partnership for Development.
- > **Continuing to scale up efforts to promote gender equality across the aid program and ensuring a strong whole-of-program response to the report on violence against women.** A country response to this report is currently being developed. Dedicated resources will be identified to progress gender equality and increase the profile of the very detrimental consequences of inequality for development with the PNG Government.
- > **Ensuring greater consistency in approaches to capacity building and clarity in objectives and expectations.** We will ensure that the implications of our analysis in 2008 on capacity building are clearly drawn out for activity managers and that they are equipped for their role to monitor capacity building.