



Australian Government
AusAID

Annual program performance report for Papua New Guinea 2007

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Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
AusAID	Australian Agency for International Development
DCS	PNG–Australia Development Cooperation Strategy
ECP	Enhanced Cooperation Program
HIV	human immunodeficiency virus
M&E	monitoring and evaluation
MTDS	Medium Term Development Strategy
NGOs	non-government organisations
PNG	Papua New Guinea
QAC	quality at completion
QAE	quality at entry
QAI	quality at implementation

Summary

Papua New Guinea continues to maintain strong macroeconomic growth and political stability, with budget surpluses fuelled by the resources boom. However, the country is not seizing this opportunity to meet its central challenge of converting record resources revenue into development for its people, and will not meet any of its Millennium Development Goal targets. Even where some indicators show improvement, PNG's performance is significantly worse than in the rest of the Pacific.

The national elections in 2007 meant there was little time for reform in that year, but the largely peaceful elections saw a Somare government returned and an unprecedented period of political stability. The Medium Term Development Strategy is still in place, and the language of the government is about delivering the unfinished agenda of improving livelihoods. But incentives for progressing reform are weak, particularly with the massive liquefied natural gas project and other mining developments in prospect.

Overall the PNG aid program made encouraging progress towards many of its objectives in 2007 (Table 1). However, the program's objectives are increasingly tied to PNG's own development objectives and performance, resulting in limited gains in some areas.

Strongest progress towards the objectives of the PNG–Australia Development Cooperation Strategy was achieved in the transport and the law and justice sectors, both making measurable gains in capacity, governance and service delivery. However, even in the areas of strongest performance, progress was fragile, having been achieved with substantial donor support and subject to reversal when unfavourable developments occur at political or bureaucratic levels.

Support for the national elections was a 2007 highlight of the PNG aid program, which made a strong contribution to promoting democratic processes and stability, and engaging communities across the country. AusAID deepened its understanding of governmental systems and moved to change the balance of the program towards the provinces and districts, which have responsibility for delivering services. The Sub-National Strategy is promoting greater alignment of resources, functions and accountability for service delivery in selected provinces and will increasingly be a key coordination point for the program.

Despite the risks and challenges involved, Australian support for core governance programs has strengthened some of the main planks of state functions. Better budget processes, improved public financial management and increased transparency of intergovernmental financing systems supported through Australia's governance programs have strengthened PNG's public sector and have had a direct impact on the environment for growth and service delivery. Avoiding a pre-election budget blow-out was a major joint achievement in PNG. Public sector reform efforts remained stalled in 2007, but the aid program made some progress by supporting preparation of a new reform plan for 2008–13. The program needs to adapt its support for governance still further to focus on what is 'good enough' for improving service delivery.

TABLE 1 RATINGS OF THE PNG PROGRAM IN ACHIEVING THE OBJECTIVES OF THE PAPUA NEW GUINEA – AUSTRALIA DEVELOPMENT COOPERATION STRATEGY 2006–2010

Objective	Rating
DEVELOPMENT THEMES	
1: Improved governance and nation building	
Improved effectiveness of public sector institutions and processes at national and subnational levels	■ (amber)
Government of Papua New Guinea demonstrating open, accountable democratic behaviours and adherence to the rule of law	■ (amber)
Better articulated demand for democratic processes and institutions, and reforms of the state and civil society to meet that demand	■ (amber)
2: Sustainable broad-based growth and increased productivity	
A conducive enabling environment for private sector activity and investment	■ (amber)
Enhanced access to markets and services	■ (green)
Increased agricultural productivity	■ (amber)
Increased workforce skills	■ (green)
3: Improved service delivery and stability	
All levels of government oriented towards and better able to coordinate and implement service delivery	■ (amber)
Increased quality of and access to education	■ (amber)
Increased quality of and access to health services	■ (red)
Improved ability to provide law and justice services	■ (amber)
4: Strengthened, coordinated and effective response to the HIV and AIDS epidemic	
Stabilise spread of new infections by 2020	■ (amber)
Effective care and treatment of those infected	■ (amber)
Strengthened national capacity to lead, coordinate and implement the HIV response	■ (amber)
ENABLING THEMES	
1: Alignment of PNG and donor resources	
Government of PNG and development partner allocations for priority sectors increasingly focused on PNG sector strategic priorities; maintain or further increase the allocation of Government of PNG and development partner resources to MTDS expenditure priorities	■ (green)
2: Capacity building and integration with PNG systems	
Contribute to PNG leadership development; promote effective capacity building in the public sector and civil society organisations	■ (green)
Strengthen and integrate with PNG systems in a manner that reinforces sound public administration and corporate governance	■ (green)
3: Effective partnerships with and beyond the Government of Papua New Guinea	
Work effectively with Australian whole-of-government partners; policy dialogue with PNG Government and members of parliament; engage and strengthen PNG civil society organisations; work effectively with PNG's development partners	■ (green)
4: Gender equality	
Improve gender data and analysis; promote equality in leadership and representation; promote equal development outcomes	■ (green)

Note: ■ denotes the objective is on track to be fully achieved within the timeframe of the strategy. ■ denotes the objective will be partly achieved within the timeframe of the strategy. ■ denotes the objective is unlikely to be achieved within the timeframe of the strategy.

The HIV and AIDS program is making some headway in building sustainable PNG institutions, especially non-government organisations. There has also been considerable progress in implementing HIV services and in mainstreaming HIV across the program. However, the national response requires significantly increased resources and capacity to make an impact on the epidemic, which is an enormous challenge for the country. The weakest performing sector in 2007 was health, which failed to make any progress on basic health indicators. This is due to a range of reasons, largely to do with national government performance, even though donors have taken a sector-wide approach to support. The health sector has been recognised as an area requiring urgent attention by AusAID and PNG's Secretary of Planning.

The Development Cooperation Strategy and the aid program are strongly aligned with PNG policy frameworks. More broadly, donor support is increasingly aligned behind PNG plans, and the proportion of the PNG budget addressing the priorities of the Medium Term Development Strategy has been increasing, including significant injections of additional 'windfall' government resources. Australia's support for the participation of PNG sectors or agencies in the budget process is helping to deliver these improved strategy-aligned outcomes. The 2008 budget recorded further increases in budget provision for law and justice, transport, and HIV and AIDS, based on credible budget submissions, which the PNG program supported. Sustained donor support will be required to assist PNG to mobilise its resources, currently held in trust accounts.

Australia provides over 90 per cent of all technical assistance in PNG, and among donors is the default provider, able to mobilise support quickly. Evaluations reveal that the program's focus on capacity building is producing good outcomes in some areas, albeit insufficient to turn around PNG's public sector performance. Australia's aid program is moving slowly towards an approach that better positions its engagement with key PNG government systems. The shift to program-based approaches provides the context for increasing the use of PNG systems by donors, while working to strengthen them. Australia is also making a concerted effort to improve financial accountability in PNG systems.

The PNG Commitment on Aid Effectiveness, which Australia helped to develop, was a major step forward in strengthening government and donor partnerships. The co-location of AusAID officers in central agencies at the national level and in four provincial administrations is building the potential for highly productive relationships with the PNG Government. The aid program's contribution to Australian whole-of-government coherence was strong in 2007, witnessed in the effective Oro flood emergency response with the Australian Defence Force, and as highlighted in the review of the Strongim Gavman Program (SGP), previously the Enhanced Cooperation Program (ECP). The aid program will continue to contribute to developing an appropriate Kokoda initiative, a high priority issue for the Australian Government.

The aid program has scaled up its efforts to promote gender equality across all sectors and has increased its knowledge base on gender inequality. Highlights include support for

community initiatives to reduce domestic violence and establish women's peace-building networks, and the mobilisation of women in the election process. Given the scale of gender inequality in PNG this work is only beginning and there are key gaps to address.

The joint Development Cooperation Strategy is now two years old. The 2006 performance report highlighted the core assumption of the PNG aid program—turning around public sector performance is the key to achieving development progress in PNG. In 2008 it remains unlikely that the overall capacity and systems of the public service will have changed significantly by the end of the strategy period in 2010. The central challenge for the program is to actively support better service delivery while continuing to strengthen PNG systems and ownership.

The Development Cooperation Strategy provides a sound basis on which to proceed, permitting sufficient flexibility to address constraints and develop alternative aid delivery mechanisms where required. For instance, Australia's investment in better information on how PNG government systems work is guiding the development of more strategic and targeted approaches that seek to effect changes in key areas rather than large-scale (and overly ambitious) reforms across the state. The Department of Education's commitment to reform has opened the possibility for real progress in the education sector; incentives and performance-based approaches are increasingly used to add momentum to progress; and advances in the law and justice and transport programs of support suggest that Australia's long-term investment in capacity building in these sectors is paying off.

However, Australia does not underestimate the difficulty of making progress in the PNG environment, and expects that the development outcomes in the short to medium term will continue to be modest and fragile. The aid program plans to tackle these development challenges by:

- > addressing health sector performance issues and repositioning Australian assistance, including a focus on improving the use of health system funding in provinces
- > further increasing support for subnational levels of government, particularly focusing on ways to help districts effectively use their grants from the District Services Improvement Program
- > scaling up support for public sector capacity development, including workforce development and systems strengthening for planning, budgeting and implementation of the PNG Government's programs.

A further priority for the remainder of 2008 is to put in place the new partnership for development between PNG and Australia. The partnership represents a commitment to increase and strengthen development assistance to PNG, in line with the principles of mutual accountability and mutual responsibility. It will provide added impetus to the program's focus on achieving development results, in particular making faster progress towards the Millennium Development Goals. But while it represents a great opportunity for improved performance in key sectors, it also brings significant challenges in an environment of weak institutional performance. Although Australia is confident the

principles of its engagement with PNG are sound, the aid program needs to develop more innovative and strategic ways to meet these challenges effectively.

Country performance

PNG's improved macroeconomic performance and political stability continue. Growth in the formal sector and budget surpluses are being fuelled by the resources boom. But the country is not yet meeting its central challenge of converting record resources revenue into development for its people. The country will not meet any of the Millennium Development Goals. Even though some indicators have improved, PNG's performance is significantly worse than in the rest of the Pacific.¹

The national elections in 2007 left little time for reform. But the largely peaceful elections saw a Somare government returned, giving the country an unprecedented period of political stability. The Medium Term Development Strategy (MTDS) is still in place, with the Prime Minister emphasising the government's commitment to deliver on the unfinished part of the agenda—namely, raising productivity and living standards.² With a huge liquefied natural gas project in prospect, the government is sensibly embarking on a new round of long-term planning for 2010 onwards.

Economic growth in 2007 is estimated to have been 6.2 per cent and forecast to drop marginally to 5.8 per cent in 2008 (Figure 1). These rates, though better than in the past, will need to be sustained and further increased over many years if PNG is to reduce poverty.³ There are signs that the private sector is growing beyond the resources sector and that the business environment is improving in some areas. For example, competition in mobile telecommunications has reduced call costs and widened access. Nevertheless, urban unemployment remains at around 40 per cent and the constraints to private sector activity are described by the International Monetary Fund as formidable, including unreliable services, poor transport, and crime, regulation and land tenure issues.⁴ The level of government commitment to a competitive business environment is mixed, and a growing role for (currently highly inefficient) state-owned enterprises is envisaged.

A bold attempt was made by the Department of Planning in 2007 to use available data to build a picture of progress in the implementation of the MTDS, substituting process and proxy indicators where there were no outcome data.⁵ It concluded that, while on all the evidence macroeconomic and public expenditure management had improved, overall 'there has been no discernible development since the year 2000'. The Prime Minister's Department is in the process of setting up a complementary monitoring system to track

¹ For example, the child mortality rate decreased from 80 in 2000 to 74 in 2005—similar to the rate in Solomon Islands (75), but well above Vanuatu's (36), Tonga's (24) and Fiji's (18).

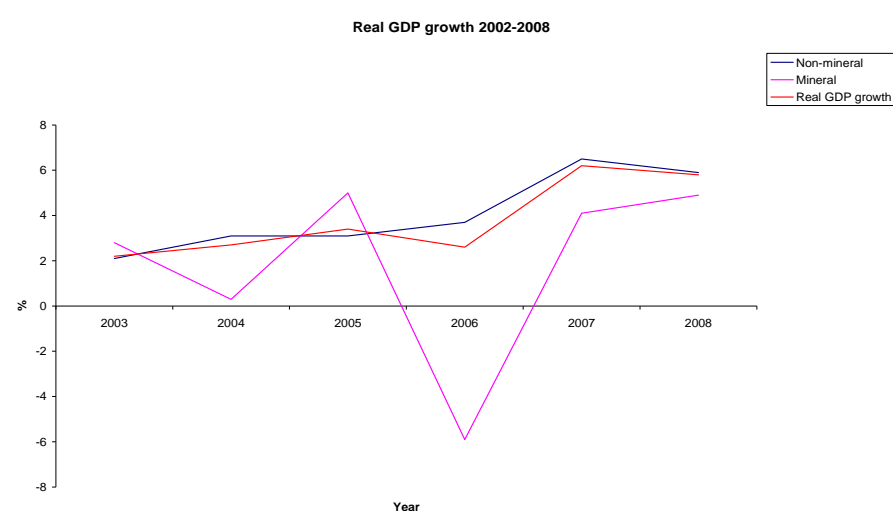
² Speech at the opening of Parliament, September 2007.

³ In the Human Development Index PNG ranks 145th out of 177 countries. In the Human Poverty Index-1, PNG ranks 90th among 108 developing countries for which the index has been calculated <<http://hdr.undp.org/en/statistics/>>.

⁴ International Monetary Fund, *Papua New Guinea: 2007 Article IV Consultation—staff report; and Public information notice on the Executive Board discussion for Papua New Guinea*, IMF Country Report No. 08/98, Washington, DC, March 2008.

⁵ MTDS Performance Management Framework *Pocketbook 2007*.

FIGURE 1 GROWTH IN PAPUA NEW GUINEA'S REAL GROSS DOMESTIC PRODUCT



a

Note:

Data source: *Papua New Guinea - Staff Report for the 2007 Article IV Consultation, International Monetary Fund, January 18 2008.*

the delivery of annual targets across government. These developments could form the core of a performance system within the PNG Government, but they are extremely fragile.

In the education sector gross primary enrolment rates are rising slowly but not sufficiently to meet the Millennium Development Goals relating to universal basic education.⁶ The proportion of girls in primary school has remained static or has decreased in recent years.⁷ When students do attend school, concerns remain about the quality of education they are likely to receive, because of poor literacy outcomes, teacher shortages, inadequate funding (and declining non-salary expenditure), and no progress towards medium-term planning. A recent survey of literacy⁸ in Papua New Guinea found that about 37 per cent of primary school graduates were unable to read or write. There were substantial increases for education in the 2007 and 2008 budgets, not all of which the Department of Education has been able to spend. But more would be needed to reverse a long-term decline in non-salary expenditure; AusAID estimates that expenditure on primary education needs to double to get all children into school.

The health sector budget was increased in 2007, largely for infrastructure rehabilitation. Sector monitoring shows improvements in some indicators in some years (including higher vaccination rates and lower malaria prevalence in 2006, of which the latter was sustained in 2007 and the former was not), which appear to be linked to a shift in focus within the sector, including rolling out donor-supported vertical programs, rather than to better health systems.⁹ Other factors inhibiting sector performance include the lack of effective interaction between the National Department of Health and central agencies,

⁶ AusAID estimates.

⁷ National Department of Education, *2006 annual report*.

⁸ PNG Education Advocacy Network and Asian South Pacific Bureau of Adult Education, *Education watch report PNG—Educational Experience Survey: education, language & literacy*, October 2007.

⁹ PNG annual health sector review, May 2008.

the lack of an effective sector-wide governance structure, the lack of integrated support from the central level to the provincial level, to the district level and to the facility level, and the lack of capacity-building plans to address skill needs at subnational levels. The procurement and distribution of medical supplies continue to be areas of underperformance as well as, reportedly, corruption, with routine reports of shortages of essential medical supplies at health facilities.

PNG is making little headway towards the Millennium Development Goal of halting and beginning to reverse the spread of HIV and AIDS by 2015, with the epidemic outpacing the response. The HIV prevalence rate at the end of 2007 was 1.6 per cent, up from 1.28 per cent at the end of 2006. Data show the epidemic is spreading faster in rural areas than in urban areas, presenting an enormous challenge for the country's service delivery systems and resources. PNG's financing of HIV and AIDS measures has increased from a very low base, although most money still comes from development partners. Individual and institutional leadership has suffered some reversals, but some progress is being made in planning and coordination, and there is a growing civil society response.

The situation of women in PNG remains dire, with poor enrolment rates for girls in schools, no females among the 18 newly appointed heads of departments, and still only one woman in parliament even though 101 women ran for election in 2007 (up from 66 for the previous election). The HIV epidemic is affecting more young women than men, with gender inequality and sexual violence fuelling the spread of the virus. The rate of gender-based violence in PNG is considered among the highest in the world. The situation for women's maternal health continues to be poor, with maternal mortality one of the highest in the world—300 per 100 000 live births. In general, the impact on women of poor health and education services is exacerbated by a lack of economic opportunities.

The law and justice sector has had major successes towards meeting the objectives of the national sector strategy with local-level crime prevention activities, improved services for victims of gender-based violence, improved access to legal aid and improved efficiency in the courts. However, serious crime rates appear unchanged and there has been little improvement in police performance.

The Oro floods emergency demonstrated again that PNG's capacity to organise humanitarian relief remains very low.

There have been successes in transport infrastructure as the length of national roads in good condition has risen and the length of roads in poor condition has dropped.¹⁰ Budget allocations for road maintenance have risen significantly in the past five years.

An independent review of public sector reform in PNG assessed performance as poor overall.¹¹ Despite some individual agency successes, the review found that the momentum at the beginning of the decade had progressively declined as PNG's

¹⁰ MTDS Performance Management Framework, *Pocketbook 2007*.

¹¹ *Review of the Public Sector Reform Program: report to the Chief Secretary*, June 2007.

economic prosperity improved, which seems to have reduced the perceived imperative and urgency for change.

Budgetary provision for MTDS priorities has risen steadily from 52 per cent in 2006 to 56 per cent of the overall budget in 2008. A substantial proportion of the resource windfalls has gone to development priorities, and K2.2 billion (almost A\$1 billion) was in trust accounts in December 2007, equivalent to more than 10 per cent of PNG's gross domestic product. PNG has more resources to allocate than were foreseen in the MTDS, but there are few signs that central and line agencies are working together in realistic medium-term planning on how to use the extra money for MTDS priorities. A new medium-term fiscal strategy for 2008–12 should, if implemented, improve management of aggregate government resources, but does not address the challenge of ensuring adequate development expenditure.

PNG's assessment of public expenditure and financial accountability improved between 2002 and 2006, but overall ratings remain low, with weak accountability of trust funds and poor control of payrolls. Large-scale diversions of public funds were reported in 2007. Despite relatively well-developed domestic anticorruption legislative and policy frameworks the World Bank's Control of Corruption Index now ranks PNG in the bottom 10 per cent—9.2 compared with 44.2 in 1996.¹²

Subnational governments are responsible for the delivery of many services. There is increasing recognition by the central government that many are either so poorly governed or so poorly resourced that they cannot meet their responsibilities, and that local-level expenditure is frequently not aligned with national priorities. The system for allocating central resources between provinces has been substantially redesigned on a needs basis and this could have a major impact, but parliamentary approval is still pending.

Agriculture accounted for about 28 per cent of PNG's gross domestic product in 2007, rebounding from the downward trend recorded over the decade to 2005. However, the improvement reflects increased commodity prices rather than increased production. In the light of the high proportion of rural workers in PNG's population, the relatively low contribution of agriculture to gross domestic product points to the importance of the informal sector. While forestry provided 2 per cent of gross domestic product in 2007, the current logging rate exceeds the sustainable limit. The recent spike in global food prices is expected to lead to the continuation of the trend over the past decade to substitute locally grown produce for imported foods such as rice and wheat. Only a small proportion of food consumption in rural PNG is imported.¹³

Australia is the largest donor in PNG (Table 2). Its official development assistance in 2007–08 is estimated at \$355.9 million—about 70 per cent of all aid flows, 42 per cent of PNG's development budget and 12 per cent of overall public resources in PNG. In

¹² www.govindicators.org.

¹³ Bryant Allen, *International food price rises and food security in PNG*, RSPAS, Australian National University, Canberra, June 2008.

some sectors, such as law and justice, Australia is the only significant donor. This situation is not expected to change.

TABLE 2 PNG'S 2007 OFFICIAL DEVELOPMENT ASSISTANCE BY SOURCE OF GRANTS

Donor	Estimate
	Kina million
Australia	736.0
Japan	43.8
European Union	120.6
New Zealand	35.7
United Nations	25.9
Others	54.1
Total grants	1 013.4

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

Source: PNG 2008 budget.

The PNG Government has only recently become actively supportive of joint donor activity. This new approach culminated in the signing of the PNG Commitment on Aid Effectiveness—which localises the Paris Declaration—in June 2008 by the PNG Government and major donors. The Commitment includes measurable commitments to an action plan for 2008 and target indicators to 2012 and is managed and monitored through a joint PNG–donor Working Group on Aid Effectiveness.

What are the major results of the PNG aid program?

PNG's challenge in translating economic growth and political stability into sustainable development outcomes provides the context for the aid program's 2007 performance assessment. Given the difficult operating environment overall, **progress towards higher development outcomes can best be described as modest and fragile.**

Strongest progress towards the objectives of the PNG–Australia Development Cooperation Strategy (DCS) was achieved in the **transport** and **law and justice** sectors. Both made measurable progress in capacity, governance as well as service delivery, supporting local-level crime prevention activities, improved services for victims of gender-based violence, improved access to legal aid, improved efficiency in the courts, and increased quality of the national road network (from 20 per cent classed in good condition in 2005 to 27 per cent in 2007). However, even in these sectors gaps or fragilities are evident. The lack of support for police remains a serious obstacle to improved outcomes in the law and justice sector, while widespread senior personnel changes at the Department of Works set back much good work on strengthening capacity and systems.

Support for **the national elections** was a program highlight in 2007. It made an invaluable contribution to strengthening democratic processes, promoting stability and engaging communities across the country.

Assistance for **public financial management** made progress in key areas such as budgetary processes, some aspects of financial management and audit capacity. Public expenditure and financial accountability scores for PNG indicate improvement in budget planning and preparation and in aspects of budget execution over recent years. Maintaining the integrity of budget parameters in 2007 given the resources boom and the pressures of national elections was a significant development outcome for PNG, to which Australia contributed. Progress in these areas will be crucial to economic stability and growth and improved service delivery, though these achievements are not necessarily sustainable without ongoing donor input. Furthermore, a number of weaknesses remain in the detail of PNG's public financial management, including poor accountability for large sums held in trust accounts and poor control of the payrolls. The resources boom has also highlighted the fundamental weakness of the system—that it is failing to translate funding into improved service delivery and concrete development outcomes.

More broadly, **PNG's public sector reform** effort remained stalled in 2007, with the program able to make only a little progress in most areas, although the commencement of PNG's Public Sector Workforce Development Initiative is a promising step.

In 2007 AusAID deepened its understanding of governmental systems and moved to change **the balance of the aid program** towards provinces and districts. The Sub-

National Strategy and the associated program is increasingly moving to the centre of program coordination, recognising the primary role of provinces and districts in delivering services. The strategy is promoting greater alignment of resources, functions and accountability for service delivery at the provincial level and its program will increasingly facilitate effective service delivery. Encouraging progress has been made in the initial group of provinces supported under the provincial program, including strengthened coordination and monitoring systems.

The **HIV and AIDS** program made some headway in building sustainable PNG institutions and more headway in its implementation. HIV mainstreaming across all sectors of the aid program progressed considerably. However, the national response requires significantly increased resources and capacity to make an impact on the epidemic, presenting an enormous challenge for the country.

The weakest performing sector was **health**, where progress stalled for a range of reasons largely to do with national government performance, even though there is in place a mature sector-wide mode of support from donors. This sector has been recognised as a priority area requiring urgent attention by AusAID and the Secretary of Planning.

The DCS and the associated aid program are strongly aligned with **PNG policy frameworks**. More broadly, donor support is increasingly aligned behind PNG plans, and with donor support the proportion of the PNG budget addressing MTDS priorities has been increasing, including significant injections of additional ‘windfall’ government resources. Aid program support for sector or agency participation in the budget process is helping to deliver **MTDS-aligned outcomes**. The 2008 budget recorded further increases in budget provision for law and justice, transport and HIV/AIDS, based on credible budget submissions Australia supported.

Australia provides over 90 per cent of all technical assistance in PNG, and among donors is the default provider, able to mobilise support quickly. Evaluations reveal that the program’s focus on **capacity building** and technical assistance (approximately 45 per cent of aid resources) is starting to produce good outcomes. Both the 2007 independent review of the Advisory Support Facility and the review of capacity building in the law and justice sector found that the capacity-building approaches were among best practice models and were responsive to emerging needs. Across the program, approaches to capacity building are recognising that the answer to poor performance is not always traditional forms of technical assistance, but there is some way to go before other mechanisms are bedded down.

The aid program is moving slowly towards an approach that better positions AusAID’s engagement with key **PNG government systems**. The shift to program-based approaches leading to sector-wide approaches in key sectors provides the context for increasing the use of PNG systems by donors, while working to strengthen them, most obviously in procurement and financial management. Australian assistance is making a concerted effort to improve financial accountability through the introduction of an Integrated Financial Management System, which will consolidate financial reporting and

offer substantial opportunity to detect and manage corrupt activity in a proactive manner. With widespread use of trust and imprest accounts within the PNG aid program, most Australian funds are effectively isolated from the risks prevalent in the PNG government systems and are subject to more rigorous controls and auditing.

The aid program demonstrates **strong and broad partnerships**, which require a high degree of deftness and resources to sustain. The PNG Commitment on Aid Effectiveness, which Australia helped to bring about, was a major step forward in strengthening **government and donor partnerships**. Evolving program approaches and the Performance Review and Dialogue have structured opportunities for policy dialogue with the government. The co-location of AusAID officers in national agencies and in four provincial administrations is showing the potential to establish highly productive relationships with government. The democratic governance program is working innovatively with a number of **state and non-state partners** including government agencies, Australian and PNG electoral commissions, the media, non-government organisations (NGOs) and churches. The church partnership program is a good example of practical multiparty partnership.

The aid program's contribution to Australian **whole-of-government coherence** was strong in 2007, witnessed in the effective Oro flood emergency response with the Australian Defence Force, and increasing coordination and coherence of the Strongim Gavman program with respect to other parts of the aid program. Aid program advice and support to AusAID's whole-of-government partners in 2007 established the basis for good progress in developing an appropriate Kokoda initiative and Torres Strait health response, both high priorities for Australia.

The aid program scaled up its efforts in 2007 to promote **gender equality** across all sectors and increased its knowledge base on gender inequality. Highlights included support for community initiatives to reduce domestic violence and establish women's peace-building networks, and the mobilisation of women in the election process. (Women made up over one-third of 750 000 people educated in voter awareness programs.) However, given the scale of the problem this effort is only beginning and there are key gaps to be addressed.

Methodology for assessing program performance

This is the second year of implementing the PNG program's Performance Assessment Framework. The quality of evidence and analysis available to the program is improving. Increased attention to performance reporting in the PNG program over the past two years at activity, sector and program level has provided a stronger analytical base for managing for development results. In 2007 the program developed the Performance Management Framework to support the DCS, through a process of extensive consultations with AusAID's whole-of-government partners. The framework is closely aligned with PNG development priorities and provides a clearer articulation of the link between Australian assistance and shared higher level objectives than was previously the case.

During the first half of 2008 AusAID produced a substantial body of information on the program, highlighting strengths and achievements as well as weaknesses and gaps in the agency's knowledge. This analysis was informed by independent reviews and evaluations across all sectors of the PNG program, a summary of which is attached (Appendix A).

The performance assessments that led to this program performance report follow.

- > **Quality-at-implementation (QAI) assessments.** QAI assessments were facilitated by the Operations Policy and Management Unit. Thirty-five initiatives from the PNG program were assessed and rated against QAI criteria.
- > **Sector performance reports.** Twelve such reports for 2007 were prepared.¹⁴ They tracked progress against PNG's sector objectives, assessed Australia's contribution to PNG outcomes at the sector level, and identified how each sectoral program supported DCS objectives and Australian government priorities. Each sector performance report also set specific objectives for 2008. 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.
- > **Assessments of progress towards country strategy objectives.** Based on the information detailed in the sector performance reports, short analysis papers were produced by the PNG senior management team on progress towards achieving the DCS development and enabling pillars, as well as priority crosscutting themes including gender and anticorruption.¹⁵ The coverage of observable trends, as well as the recommendations, informed and focused PNG group management on program performance, resources and priorities.

¹⁴ Education, health, HIV/AIDS, transport infrastructure, economic and public sector governance, democratic governance, law and justice, Sub-National Strategy, rural development, disaster management, performance review and dialogue, leadership and scholarships.

¹⁵ Improved governance and nation building; sustainable broad-based growth and increased productivity; improved service delivery and stability; strengthened, coordinated and effective response to the HIV/AIDS epidemic; alignment of PNG and donor resources; integration with PNG systems; capacity building of PNG institutions; partnerships; gender inequality in PNG; anticorruption; whole-of-government coherence; performance incentives.

- > **Management discussion.** The PNG group management team (Post and Canberra) spent a full day bringing together and analysing the conclusions from the assessments undertaken and developing a set of recommendations on key areas for further work, whole-of-government engagement or better cross-program coordination in 2008 and beyond.
- > **Peer review of the annual program performance report.** The peer review process provided contestability and independent analysis of the report's findings. In 2008 the peer review participants were representatives from key academic, donor, non-government and government partners. The Office of Development Effectiveness and AusAID sectoral advisers provided additional inputs.

The approach taken has involved a lot of work by many people, and would not be appropriate for smaller AusAID country programs, but appears well suited to the ambitious objectives and large and complex program the agency manages in PNG.

ISSUES AND CONSTRAINTS

The Performance Assessment Framework is a work in progress, and in 2008–09 attention will be devoted to better defining and refining objectives and performance measures to meet emerging issues. In particular, attention will be paid to better aligning sector-level performance frameworks and the Performance Management Framework, and developing a small number of high-level annual and intermediate objectives against which the PNG program's progress can be measured.

The Performance Assessment Framework was developed primarily for program management purposes, but it is also a tool to strengthen dialogue on development effectiveness with the PNG Government. Due to the exceptional number of demands made on the PNG program in the first half of 2008, AusAID was not able to consult with the PNG Government and its whole-of-government partners to the extent planned. However, it envisages using the annual program performance report as a basis for consultations in 2008–09.

RATINGS AND ASSESSMENT

Through its joint country strategy, Australia has committed to aligning its aid program to PNG's development and priorities. The close alignment of PNG and Australian objectives combined with the scale of Australia's contribution to PNG's development budget and the move to sectoral program approaches increasingly means that any assessment of the aid program's performance cannot be separated from the country's development outcomes. In particular, the performance of the aid program's larger, longer term investments in areas such as transport, law and justice, education and health must be judged in relation to the performance of the total resources of their respective sectors.

Following the common practice of donors as they move towards program-based aid and away from stand-alone, project-based aid, the performance of the aid program is judged

in most cases against aid program objectives that have been set at the level of whole-of-sector outcomes. In the PNG context, therefore, an amber rating may be the best that can be hoped for. In this report, ratings against DCS objectives are an assessment of the likelihood of significant progress on the indicators chosen for the strategy performance framework over the life of the program's major activities, which may not have the same timescale as the country strategy. For example, the HIV and AIDS program has been rated on the likelihood of change over the sectoral program period to 2020.

The assessment of each sector's performance was based on progress against indicators in the Performance Management Framework. These indicators measure the performance of the sector as a whole, and inform AusAID's judgement about whether the program's current approach is likely to lead to significant progress against the DCS objective. Thus the transport sector was rated green on the basis of the clear trend for improvement in road conditions and maintenance capacity, evidence that Australian support made a strong contribution to this progress, and confidence that aid program support is well placed to build on these gains.

Although trends in PNG's education sector have not shown adequate improvement, the program of the education sector has been rated amber, reflecting confidence that, despite the enormous challenge involved in turning this sector around, the new strategy and design have been informed by thorough analysis of past weaknesses and current challenges, and incorporate emerging priorities of both governments, including progress towards the Millennium Development Goals.

In the health sector, on the other hand, the red rating signifies that Australia's investment in the sector-wide approach is not paying adequate dividends and that there is little expectation of any turnaround in the near future. The challenge is to develop an alternative means of engagement that addresses the urgent need to improve service delivery in the sector while providing continuing support for PNG systems.

The four DCS enabling themes—alignment with government systems, capacity building and integration, partnerships and gender—have been rated differently from the four development themes. Ratings against enabling themes do not reflect sector or on-the-ground outcomes, but the aid program's ways of working—whether it is on the right track to make progress towards these objectives. Being internal to aid program management and largely process based, the objectives under these themes are more likely to be achieved than development theme objectives. Sectoral outcomes of, for instance, support for capacity building or work towards greater gender equality, are captured against development theme objectives.

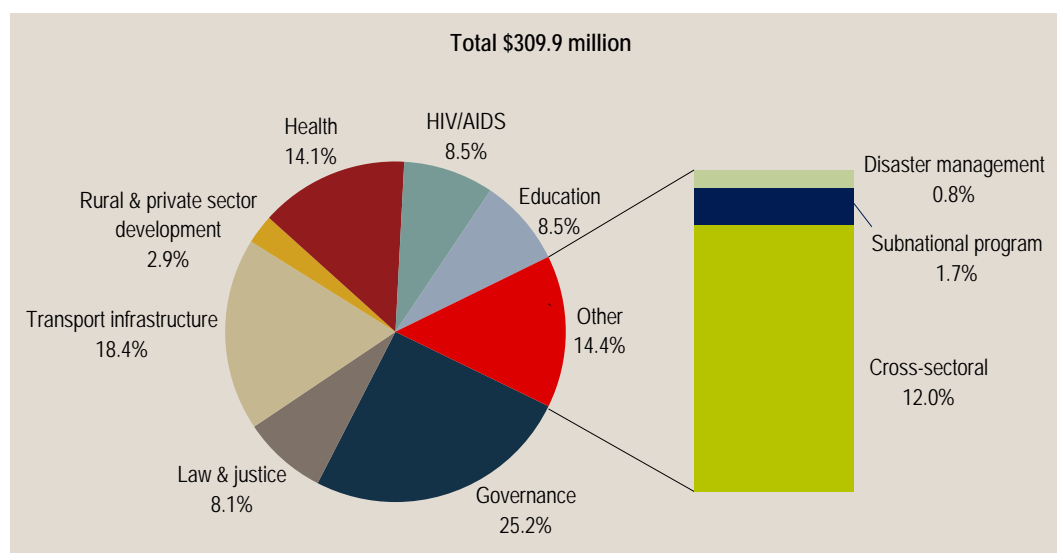
In line with the crosscutting nature of the DCS, estimated expenditure in 2007 against the four development themes is:

- > improved governance and national building—\$90 million
- > sustainable broad-based growth and increase productivity—\$99 million
- > improved service delivery and stability—\$93 million

- > strengthened, coordinated and effective response to the HIV and AIDS epidemic—\$42 million.

Figure 2 shows a breakdown of 2007 sectoral expenditure in the aid program.

FIGURE 2 ESTIMATED 2007 EXPENDITURE BY SECTORAL PROGRAM



Note:

Development theme 1: Improved governance and nation building

OBJECTIVE 1:

IMPROVED EFFECTIVENESS OF PUBLIC SECTOR INSTITUTIONS AND PROCESSES AT NATIONAL AND SUBNATIONAL LEVELS

RATING

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

Although fundamental gaps will remain in public sector capacity by the end of the strategy period (2010), the rating reflects achievements in key areas supported through Australian assistance, including maintenance of prudent fiscal strategies and budget integrity despite the effects of the resources boom and the pressures of national elections, and better alignment of the budget with the MTDS. Given the enormous challenge involved in progressing towards this objective, key process indicators represent valuable steps forward. The lack of commitment to public sector reform by the Government of Papua New Guinea, and the failure to turn increased government revenues into development outcomes are major obstacles to sustainable and broad-based results in this sector.

ASSESSMENT OF RESULTS AND PERFORMANCE

Making progress towards this objective is a major challenge, requiring the arrest and reversal of the long-term decline in PNG's public sector effectiveness. In 2007 efforts for reform were further slowed by the national elections and reluctance of the PNG Government to advance reforms. In the context of these constraints, progress in governance reform is inevitably fragile, often achieved through significant donor inputs, and potentially easily undone.

The aid program's achievements have been grouped under three key result areas in the PNG Government's public sector reform strategy.

1 Improved public sector leadership and management

Whole-of-government coherence improved the programs for the law and justice and the education sectors, in part attributable to the way that donors engaged with agencies in these sectors. The performance review and dialogue process also improved interdepartmental coordination and whole-of-government approaches on reform priorities among PNG central agencies in 2007. Australian assistance helped the Government of Papua New Guinea to develop a new whole-of-government Performance Planning and Monitoring Framework. Once implemented, the framework will summarise the government's policy agenda and monitor performance and progress against specific outcomes that government agencies are expected to deliver on an annual basis. The performance review and dialogue process supported

the government publication of a frank assessment of PNG's development performance in its MTDS Performance Management Framework 'Pocketbook' 2007.

2 Greater public sector capacity to implement mandated processes and functions

Basic systems of public administration such as corporate planning, organisational and change management, and human resource management showed improvement across a number of sectors, most notably in all six law and justice agencies and eight provincial administrations supported under the Provincial Program Improvement Initiative. Advisory support provided through the initiative enabled provincial administrations to develop corporate and capacity-building plans and to identify developmental priorities in provinces. A framework for the Public Sector Workforce Development Initiative is being developed for which the PNG Government has increased funding to K1.5 million in 2008.¹⁶

3 Improved processes for budget planning, preparation and financial management

Prudent fiscal strategies and improved budget planning at both the national and the subnational levels are an important outcome of Australian assistance. Progress in 2007 was incremental, building on achievements in previous years. Australian support in this area assisted PNG to achieve the following.

- > Budget integrity was maintained despite the large budget surpluses due to the resources boom, and the 2008 budget was delivered and largely aligns to MTDS priorities. In 2008 an estimated 56 per cent of total budget expenditure is aligned to MTDS priorities, compared with 53 per cent in 2007.
- > The new Medium Term Fiscal Strategy was prepared with a clear strategy for managing resources.
- > The operation of the Budget Screening Committees improved, as did processes for preparing agencies to better align the allocation of resources to development needs.
- > The links between central budget processes and line agencies and provincial governments were enhanced. Intergovernmental financial arrangements designed to improve budget planning at the subnational level were reviewed. Advisory support provided to the National Economic Fiscal Commission was instrumental in the high-quality work on intergovernmental reform, highlighting issues of equity and predictability of government budgeting provisions and reinforcing the need for provincial governments to spend more on service delivery and less on administration.
- > The law and justice program contributed to improvements across the six law and justice agencies in their ability to plan and use resources appropriately. This is demonstrated by strong budget outcomes, improved medium-term planning, and the alignment of both development and recurrent budgets to annual plans.

¹⁶ The review of the Public Sector Workforce Development Initiative, November 2007, found that, with better leadership by central agencies and adequate resources, the initiative could become the country's most effective program for leveraging the public service into an efficient service delivery mechanism.

Despite these achievements public sector reform has been slow, and better incentives for reform are needed. Improved administrative systems and increased budget revenues have not necessarily led to improved service delivery. Out of 24 agencies surveyed for the review of the PNG's Public Sector Reform Strategy in 2007, about 80 per cent had current corporate plans and annual work plans, but many lacked the capacity to effectively implement these plans. A further risk to results was the lack of commitment from PNG central agencies to work with line agencies and subnational administrations.

AusAID has a good deal of useful information on individual achievements under this objective, but still needs a sector performance framework (being prepared) to be able to weigh achievements more coherently.

OBJECTIVE 2:

GOVERNMENT OF PAPUA NEW GUINEA DEMONSTRATING OPEN, ACCOUNTABLE DEMOCRATIC BEHAVIOURS AND ADHERENCE TO THE RULE OF LAW

RATING

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

The rating reflects ongoing concerns about the worsening state of corruption in PNG (noted previously) coinciding with strong achievements in some areas, including the 2007 national elections. Progress against anticorruption and legal process indicators in the law and justice program, strengthened audit capacity and a better run national election combined to lift this rating.

ASSESSMENT OF RESULTS AND PERFORMANCE

Global corruption indicators suggest that corruption is increasing in PNG. Anticorruption measures are embedded within all sectors of the aid program. Australia is continuing to build the capacity of accountability institutions in PNG, including civil society, and its focus on strengthening PNG systems to move towards their use for aid disbursement is increasing.

Highlights in 2007 include the aid program's support through the democratic governance program for the national elections. While still possessing many flaws and irregularities, overall the elections surpassed expectations of the public, political parties, candidates and observers.¹⁷ Improvement was seen in election administration and management from 2002, including a new ward-based electoral roll, improved PNG Electoral Commission planning funded entirely by PNG government resources, more transparent expenditure, more coordinated logistical support, secure ballot papers, consistent counting procedures and devolved provincial budget management. This outcome is vital to supporting

¹⁷ See *Democratic governance program sector performance report 2007*, and Standish, *PNG's national election 2007 final ABA observation report*, December 2007.

political stability and the enabling environment for economic growth, as well as increasing confidence in the democratic system.

The law and justice program made progress in important areas of anticorruption. The number of claims against the state that were resolved in 2007 was much higher than in the previous 15 years, and the number of default judgements dropped significantly, resulting in a 95 per cent reduction in claims paid out by the state. Improved processes introduced by the Solicitor-General's Office, the National Courts and the Department of Finance have led to the identification of fraudulent claims and the introduction of more rigorous procedures that have saved the state large amounts. The law and justice sector has also improved its financial management procedures and strengthened procurement practices.

Australian assistance also resulted in stronger fiscal strategies and fiscal transparency, in particular to meet reporting requirements under the Fiscal Responsibility Act. This has enabled significant improvement in budget transparency. For instance, the report *Mid-Year Fiscal and Economic Outlook* was submitted to Parliament and published on the PNG's Treasury website. The aid program also contributed to the establishment of 17 audit committees and numerous other internal audit units in the Department of Finance. This is expected to improve audit capacity and fraud detection. PNG government resources allocated to the Auditor General's Office increased by more than 20 per cent in 2007. Australian assistance also resulted in the increasing effectiveness of the Public Accounts Committee.

The performance of oversight institutions was mixed. A twinning program between the Ombudsman Commission and the Commonwealth Ombudsman in Australia resulted in improved capacity and more efficient practices in investigating complaints. However, overall the Ombudsman Commission had a difficult year and the number of referrals was lower in 2007 than in 2006.

Priorities for the law and justice program in 2008 include helping sectoral agencies develop a greater appreciation of the links between the development and recurrent budgets to achieve greater understanding of the true costs of service delivery. The Economic and Public Sector Governance sector is in the process of developing a new framework of assistance that better coordinates total Australian resources to economic and public sector development.

The evidence base is not consistent across this objective, particularly on community perceptions of crime and corruption. However, there has been stronger integration of performance measures for anticorruption across the program, which should result in better information next year. New strategies for public and private sector development will also permit more strategic performance reporting.

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.

The rating reflects Australia's relatively small and, up to now, somewhat ad hoc contribution to a difficult objective. Achievements in supporting community awareness and voice through the election process and in building church capacity rank among the highlights. A new program design was developed in 2007.

ASSESSMENT OF RESULTS AND PERFORMANCE

Australian assistance in this area works with a wide range of state and non-state actors across a number of fields, making measuring performance challenging. Overall progress was modest, but some gains were made in political governance and building a sense of national unity. A standout achievement in 2007 for the aid program was its pivotal support to civil society in the national elections. Voter education and awareness improved, with messages of good governance, how to vote, women's rights and the risks of HIV and AIDS disseminated by the PNG Electoral Commission, civil society groups and media. Evaluations reveal that training changed people's voting behaviour.¹⁸

Australian assistance also contributed to the following results.

- > New governance arrangements were implemented in the Media Council of Papua New Guinea, bringing most decision making to management level and generating stronger ownership of the program. The publicly acclaimed NBC coverage of the national elections resulted in rural communities receiving up-to-date information, potentially reducing violence.
- > The NBC programs *Kunai Strit* (drama) and *Maus Bilong Ples* (social history) contributed to a sense of national unity by sharing stories and airing issues such as domestic violence. The NBC also led the production of voter education messages for radio during the national election period, resulting in increased awareness of the limited preferential voting system.
- > Grants through the Media Council supported partnerships between provincial stations and civil society organisations. For example, stations paired with family violence organisations to develop content on the prevention of violence, resulting in increased awareness of people's rights.

Progress was seen in support for governance in consultative organisations such as the Consultative Implementation and Monitoring Council and the Family and Sexual

¹⁸ See Democratic Governance Program Sector Performance Report 2007.

Violence Action Committee. Support for churches helped to strengthen internal governance, leadership and institutional capacity. Achievements included the following.

- > Support for the Family and Sexual Violence Action Committee contributed to an increased understanding of human rights by men and women.
- > The church partnership program incorporated gender equality in 2007 and has been particularly strong in promoting the role of women in peace building. A Baptist women's peace-building workshop was held with a focus on pre-empting and resolving inter-clan fighting, which resulted in the formation of a Women's Peace-Building Network.
- > All seven church partners under the church partnership program reviewed and restructured governance bodies and training for board members. For instance, the Lutheran Church set up a planning, review and advisory group to introduce project cycle management to the church and department heads.
- > Churches moved forward in mainstreaming other issues through HIV and AIDS interventions. Caritas increased understanding of violence issues and how they affect the community, particularly with respect to HIV, through the Personality Development and Human Sexuality Workshops.
- > Following extensive consultation and pilot activities, the design of a 10-year program of sports for development was finalised. The partnership with the PNG Sports Foundation was cemented through the design process.

Stronger partnerships with key stakeholders such as the Department for Community Development, the World Bank and the European Union are a priority for achieving better coordination and harmonisation to strengthen governance in PNG. A more strategic approach to working at the community level is also needed. The new program design should assist with these gaps.

Besides the support for the elections, evidence to assess progress against this objective is not strong. The new program will develop more cohesive and more clearly defined performance assessment measures and thus improve reporting on progress towards this objective.

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 will be partly achieved within the timeframe of the strategy.

The rating reflects marginal progress against this objective in the context of a very difficult operating environment and limited Australian support to date. PNG's gas resources development, land reform and telecommunications were primary areas of focus with the potential for long-term benefits.¹⁹

ASSESSMENT OF RESULTS AND PERFORMANCE

Success in this area would demand a much wider set of interventions than those recently used. A strategy to guide assistance in this area will be developed in 2008. The main contributions to the enabling environment for the private sector follow.

- > The Government of Papua New Guinea received support to take forward its land reform agenda. Previous low-key support to think through land reform led to the establishment in 2007 of the National Land Development Program and a policy framework for taking land reform forward.
- > ECP advisers in Treasury supported structural reforms of the mobile telecommunications sector with the introduction of competition policies.
- > ECP support and twinning arrangements strengthened border control measures.
- > Targeted support for developing the gas resources in PNG and for improving employment regulation assisted the business sector by simplifying the foreign work permits system.

¹⁹ T Smith, *Promoting broad-based growth in PNG: Australia's contribution*, AusAID, August 2007.

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 PNG's increased resources to adequately maintain key roads and capacity to manage sectoral budgets, and the appropriateness of the structures and mechanisms of Australia's engagement. Some constraints remain in terms of identifying capacity constraints in governance, financing and sustainability.

ASSESSMENT OF RESULTS AND PERFORMANCE

Maintaining priority roads is at the heart of the aid program's growth strategy in PNG, and one of the strongest performing areas of the program. The condition of these roads in PNG is improving, and there has been a steady increase in budget provision and expenditure by the PNG Government for maintenance and rehabilitation. Australian support is facilitating better collaboration between PNG transport agencies. Investment is also being made in assessing impacts for the future.

In 2007 AusAID funding to central transport agencies contributed to an increase in the quality of the national road network from 20 per cent classed as in good condition in 2005 to 27 per cent in 2007. Australian assistance maintained about 2000 kilometres of roads in nine provinces (Central, Morobe, East New Britain, West New Britain, New Ireland, East Sepik, Sandaun, Milne Bay and Madang). Maintenance was also provided for the Highlands Highway in Morobe and Eastern Highlands, which ensured that 40 per cent of the population was linked to the major port in Lae, and for the Bougainville Coastal Trunk Road.

As well as improving road conditions and thus increasing access to essential services and economic opportunities, work on the Highlands Highway and the Bougainville Coastal Trunk Road employs members of local communities. Community agreements for maintenance works such as vegetation control, grass cutting and drainage upkeep have promoted ownership of the roadworks and provided a boost to local economies. About 20 per cent of participants in community contracts in Bougainville, and between 20 and 30 per cent involved in the Highlands Highway were women. A 2007 evaluation indicates the improved road system in Bougainville is contributing to economic recovery.²⁰ The rehabilitation and maintenance of the Coastal Trunk Road employed local contractors, which has resulted in the development of a local contractor base and expanded Bougainville's capacity to deliver services.

²⁰ The impact study for Bougainville highlighted the benefits of road maintenance: local construction industry growth, new businesses along roads, reduced travel times and improved access to health and education. The World Bank social and economic impact study confirmed similar results, which lead to a reduction in poverty.


In other areas of infrastructure, Australian assistance through ECP contributed to improvements to the finances, operations and credibility of the Civil Aviation Authority.

Although the trend for increased funding is promising and resulting in improved quality, it is also increasing the probability of inappropriate investment. There is concern, for instance, that supplementary budget funds will not be used to target identified priorities. Maintaining the focus on institutional capacity and strong public expenditure controls will be a challenge. Increased spending is also stretching the capacity of the Department of Works and contractors, and there is a lack of engagement by central agencies in transport planning and coordination. Australia needs to increase its engagement with key agencies to support strategic priorities and strengthen coordination between sector agencies and key donors such as the World Bank, the European Union and Japan.

A sector performance framework for the infrastructure program is in place.

OBJECTIVE 3: **INCREASED AGRICULTURAL PRODUCTIVITY**

RATING

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

Aid program support to meet this objective is limited. The rating reflects slow progress but a new strategy and design for the sector is being developed. Current assistance in research and agricultural technologies has seen some results.

ASSESSMENT OF RESULTS AND PERFORMANCE

The aid program provides limited but targeted support to increase agricultural productivity through its focus on research and innovation technologies—areas shown internationally to deliver good returns. With limited resources, reasonable progress was made in 2007. The programs of the Agricultural Research and Development Support Facility and the Australian Centre for International Agricultural Research (ACIAR) contributed to enhanced agricultural productivity in the following areas.


- > Support for the National Agricultural Research Institute has shifted towards increasing development based on participatory needs analysis and better planning processes. Sectoral organisations are collaborating better to respond to the needs of farmers. A comprehensive monitoring and evaluation system has been developed and integrated into PNG planning systems.
- > A recent review of ACIAR programs concluded that assistance is improving farmers' access to appropriate technologies in an effort to increase the productivity of smallholders. ACIAR partnership achievements included using integrated pest and disease management in response to the cocoa pod borer outbreak, which had a direct effect on income generation for farmers. Also research on aflatoxin contamination in

peanuts informed solutions to this serious problem affecting income generation, and selected cultivars were introduced to address the potato late blight problems.

AusAID is in the process of developing an engagement framework for the agricultural sector, which will clarify the objectives, scope, principles and rationale for Australia's support. One of the biggest challenges is to achieve greater coordination of different PNG policies in this sector—for example, on forestry, oil palm and climate change. The Agricultural Research and Development Support Facility is currently co-funding capacity-building efforts in the Fresh Produce Development Agency with NZAID, and co-funding agricultural research projects with ACIAR. However, donor efforts to coordinate should be much stronger, especially with the World Bank, which is increasing its support in PNG for this sector.

OBJECTIVE 4: **INCREASED WORKFORCE SKILLS**

RATING

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

The Australia Pacific Technical College has been established in PNG, but it is too early to consider development impacts.

ASSESSMENT OF RESULTS AND PERFORMANCE

The Australia Pacific Technical College in PNG was successfully established in 2007. The college is providing training in PNG in technology trades, 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.

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.

Despite being a challenging objective in the PNG environment, the rating reflects confidence that the PNG aid program's increasing focus on intergovernmental systems and strengthening coordination at the provincial level will produce results in the medium to long term. The very low starting point for most provinces means that modest improvements constitute success.

ASSESSMENT OF RESULTS AND PERFORMANCE

This is a very broad objective where movement on a number of fronts would be needed to constitute progress. Like the first development theme, a lack of public sector capacity, uneven leadership and overly complex financial and administrative systems constrain progress. There is continuing uncertainty around plans for decentralisation, concern about money held in trust funds and not spent, and a lack of medium-term financial planning, suggesting that line agencies at the national level are not gearing up to make use of increased revenues. There is no national capacity to respond to disasters. Results against this objective are expected only in the long term, pending government service delivery agencies at all levels showing increased capacity to turn additional appropriations into outcomes.

Australian assistance for meeting this objective is delivered through all sectors, with the Sub-National Strategy demonstrating the potential to play a key coordination and monitoring role for the program. Some encouraging steps forward have been made: the alignment of provincial budgets to MTDS priorities is improving, and provinces in the Provincial Program Improvement Initiative are making progress through the different phases of this initiative. Greater attention is being given to provincial performance, thanks to better reporting systems. Provinces are meeting triggers for incentive payments; agreement on (but not implementation of) resource reallocation to match needs has occurred; and the Department of Provincial and Local Government Affairs has improved its performance.

Assistance through the Sub-National Strategy has contributed to:

- > improved annual planning, coordination and reporting in provinces under the Provincial Program Improvement Initiative

The Department of Provincial and Local Government Affairs strengthened its performance and legitimacy, demonstrated by its lead role in developing a National Executive Council submission on restructuring of subnational government, and establishing a Central Agencies Coordination Framework to better coordinate capacity-building support at the provincial and district levels. Agencies involved, including the Department of Personnel Management, the Department of the Prime Minister and the National Executive Council, and the Department of National Planning and Monitoring, agreed to coordinate programs focused on public sector efficiency, financial management, provision of funding and performance oversight. This is a critical success for the Department of Provincial and Local Government Affairs, enabling far greater cohesion and minimisation of overlap on capacity-building programs at subnational levels.

- > improved information flows and transparency of government systems.

Long-term Australian assistance has enabled the National Economic Fiscal Commission to produce high-quality work on intergovernmental reform and the National Research Institute to undertake research on decentralisation. The commission's review of intergovernmental financing arrangements served to highlight issues of equity and predictability of government budgeting provisions, in an effort to equip provinces financially to deliver services better. Co-located officers provide advice to other AusAID areas about program management and design at the subnational level, critical to improving AusAID's understanding of the decentralised system, and how the aid program can best respond to its challenges.

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 improved completion rates of primary education, youth literacy or female enrolment rates over the past decade (Table 2). More children enrol in primary school each year but expansion is not meeting needs, and there is evidence that the quality of education is low. Success will require much higher levels of public expenditure and a step change in quality. The amber rating reflects the judgement that weaknesses in the program strategy have been identified and there is broad confidence that the new strategy and delivery mechanisms—focusing on better service delivery and the achievement of Millennium Development Goals—are on the right track.

TABLE 3 SELECTED PNG BASELINE INDICATORS: DEVELOPMENT AND POVERTY REDUCTION ^a

Selected MDG indicators	1990	2000	Latest
Goal 1: Eradicate extreme poverty and hunger			
1. Poverty headcount (\$-a-day PPP; % of population) ^b	25 ¹⁹⁹⁶	35 ^c	40 ^{2005 c}
2. Prevalence of underweight children (% under 5 years of age) ^d	29 ¹⁹⁹⁶	25	...
3. GDP per capita, PPP (current International \$)	1 079	1 623	1 817 ²⁰⁰⁶
4. Real GDP per capita growth (annual %) ^b	-5.5	-3.8 ^c	0.4 ²⁰⁰⁶
Goal 2: Achieve universal primary education			
5. Primary completion rate (% of relevant age group)	47 ¹⁹⁹¹	56	54 ²⁰⁰³
6. Youth literacy rate (% of ages 15–24)	69	76	78 ²⁰⁰³
Goal 3: Promote gender equality and empower women			
7. Ratio of girls to boys in primary education	0.86	0.90	0.88 ²⁰⁰³
8. Ratio of girls to boys in secondary education	0.59	0.79	0.79 ²⁰⁰³
9. Women employed in the non-agricultural sector (% of sector total) ^e	20	32	35 ²⁰⁰⁴
Goal 4: Reduce child mortality			
10. Under 5 mortality rate (per 1000)	94	80	74 ²⁰⁰⁵
Goal 5: Improve maternal health			
11. Maternal mortality ratio (modelled estimate, per 100 000 live births)	930	300	470 ²⁰⁰⁵
Goal 6: Combat HIV/AIDS, malaria and other diseases			
12. Prevalence of HIV, total (% of population aged 15–49) ^f	0.05 ¹⁹⁹³	0.31	1.61 ^{2007 c}
13. Contraceptive prevalence rate (% of women aged 15–49)	26 ¹⁹⁹⁶	26 ²⁰⁰¹	30 ²⁰⁰⁵
14. Prevalence of tuberculosis (per 100 000 people)	789	637	475 ²⁰⁰⁵
Goal 7: Ensure environmental sustainability			
15. Forest area (% of total land area)	70	67	65 ²⁰⁰⁵
16. Access to improved water source (% of population)	39	...	39 ²⁰⁰⁴
17. Access to improved sanitation (% of population)	44	...	44 ²⁰⁰⁴

^a Sourced from UN Statistics Division unless otherwise stated. ^b Sourced from the World Bank. ^c Estimated figure. ^d Sourced from the Secretariat of the Pacific Community. ^e Sourced from the Asian Development Bank. ^f Sourced from UNGASS PNG 2008 country progress report.

ASSESSMENT OF RESULTS AND PERFORMANCE

Australian support for improved educational planning has contributed to growth (albeit insufficient) in enrolment rates, particularly at elementary and primary schools.

Assistance for service delivery was made at the provincial level in 2007, and to elementary teacher training. Highlights included:

- > the trial implementation of the National Teacher In-service Plan 2007–2014 to strengthen PNG's new school curriculum, from which 87 per cent of survey respondents said they were better able to implement the reform curriculum following the completion of professional development training
- > support to reform elementary teacher training, including the development of curriculums for new training programs, the expansion of teacher training colleges and support for training instructors

- > completion of a national school census in 2007, providing for the first time accurate baseline data at district, provincial and national levels with full gender and age disaggregation, to strengthen the evidence base for sector planning and inform the government's plan for universal basic education
- > the trial implementation of School Learning Improvement Plans
- > reform of the School Inspectorate and increased funding for standards officers
- > support for the National Department of Education's 'regionalisation' approach, which includes establishing regional offices, regional consultative forums and regional management of school standards officers
- > increased demand for better education through supporting the development of a network of 323 District Women's Facilitators, who mobilise community support for schools and assist communities to take responsibility for developing and maintaining facilities
- > significant support for education infrastructure—maintenance grants (median average K2762 per grant) to 1719 primary schools, new classrooms and infrastructure in 22 schools (as part of wider program to do this in 220 priority schools across 13 provinces), and the upgrading of seven high schools, three of which are secondary schools for girls.

Progress was made in 2007 towards the development of a sector-wide approach through the establishment of the Education Sector Improvement Program Steering Committee, resulting in increased collaboration between stakeholders and willingness to discuss and agree on sectoral expenditure priorities for 2008. The approach has strong ownership by the Government of Papua New Guinea.

There are significant obstacles facing the resourcing and implementation of an inclusive national education system in PNG. A major risk is the lack of a medium-term plan for service delivery. The establishment of the sector-wide approach has provided an opportunity for AusAID to move to a better balance between support at the central and subnational levels and to merge the more successful elements of its policy-based work at national level and direct support for schools.

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 rating reflects serious concerns that, notwithstanding progress in some areas (for example, donor-implemented activities outside the sector-wide approach), the aid program's investment in institutional capacity building at the national level is not seeing adequate results and is unlikely to do so even in the medium term. Intensive action to

address sector-wide governance issues and to reposition Australian assistance has commenced.

ASSESSMENT OF RESULTS AND PERFORMANCE

This is an extremely challenging objective, and the aid program's ambitions are correspondingly high—that is, it is aiming to more than slow a decline in services. Overall, health outcomes are mixed but show no real trend towards improvement, with key determinants of outcomes (for example, births attended and availability of drugs and supplies) showing no improvement. Basic management indicators have also not improved or have deteriorated. The National Department of Health is unable to spend additional revenues, and funds arrive at the district level too late.²¹ Uncertain PNG leadership and the lack of strategic interaction between the department and central agencies have led to the sector-wide approach 'drifting'.

Australia provided support for legislation passed in April 2007 to enable streamlined management of provincial hospitals and other health facilities under a common management board. Implementation is being piloted in three provinces in 2008 with more to follow. This is a significant reform aimed at improving service delivery in provinces by rationalising management arrangements between hospital and primary care services. The results of Australian assistance is also evident in the sector's continued access to Global Fund money, its increasing involvement at the subnational level, its increasing collection of sex-disaggregated data, and the roll-out of the new tuberculosis strategy in late 2007.

Other program achievements in the sector occurred outside the sector-wide approach, most notably through the Tertiary Health Services Program, which provides specialist operations in PNG that would otherwise be unavailable. In 2007, 2185 consultations and 807 operations were undertaken during 20 visits.²²

AusAID's incentive fund supported several health infrastructure projects during 2007, providing a significant improvement to health facilities. These projects included:

- > new surgery facilities and morgue at Mt Hagen Hospital
- > infrastructure improvement at Mingende Hospital and church-run health centres in Simbu
- > infrastructure upgrades at Kimbe General Hospital, including new kitchen, kiosk and public toilets, and the procurement and installation of medical equipment
- > new hospital buildings at Kudjip Hospital, Western Highlands, to replace old and inadequate infrastructure.

²¹ The limited capacity of the National Department of Health to spend funds on priority programs was demonstrated in 2007 with only 57 per cent disbursement of the Health Services Improvement Program trust funds.

²² While there has been some capacity building of PNG surgeons as a result of these visits, these results reinforce the Independent Monitoring and Review Group's findings that the most improved health indicators are those linked to vertical intensive programs supported by development partners. Basic management indicators have not improved or have deteriorated (Independent Monitoring and Review Group, report no. 3, 2007, p. 19).

Other health support included the following.

- > Core funding to the Institute of Medical Research contributed to its viability as a research institute with international standing, conducting research targeting PNG's health sector priorities. Recent research included mapping malaria in the highlands region and HIV and sexually transmitted infections in selected provinces, and collaborating with Australia's biosecurity agencies on emerging diseases, including multidrug-resistant tuberculosis.
- > AusAID support for the School of Medical and Health Sciences at the University of Papua New Guinea has been a critical factor enabling the university to continue training PNG doctors and other health professionals. In 2007 the school graduated 229 students from the following programs: [Bachelor of Medicine](#), [Bachelor of Surgery](#) (43), postgraduate medicine (17), public health (15), health sciences (47), post-basic nursing (102) and dentistry (5).
- > AusAID co-financed with the Asian Development Bank the 2007 Demographic Health Survey, led by the National Statistics Office. The survey aimed to enhance monitoring of population and health indicators to track progress towards Millennium Development Goals and the strategic directions of the PNG Government. Data from the survey is expected to be available late 2008.
- > Through the Torres Strait Treaty Zone Health Partnership, AusAID supported communication officers in Western Province and the Torres Strait. A review in late 2007 found these officers reported and managed cases of communicable disease on both sides of the border, particularly cases of tuberculosis. This was a stimulus for greater focus on tuberculosis on the PNG side, including more surveillance patrols in the South Fly District, and work towards national surveillance of multidrug-resistant tuberculosis.

There is some evidence that Australia has contributed to maintaining the quality of health service delivery. Without Australian contributions, key positions in the health sector would not be filled and programs such as malaria prevention or immunisation would not be run, or run at lower levels of intensity and quality. Many of these results serve to question the aid program's heavy investment in supporting health systems at the national level. Gains have come not through institutional capacity building at that level. Rather improved health indicators are often linked to intensive programs supported by development partners, but these are not necessarily sustainable.

New approaches to strategic engagement and new modes of service delivery need to be developed to tackle the many challenges confronting the sector, particularly the lack of consistent leadership and capacity in both state and non-state actors. An external review of the program is under way to reassess objectives and the engagement in the sector-wide approach.

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 solid progress in administration and resource management across the six agencies in the law and justice sector and some improvements in service delivery, particularly in leadership on gender issues. Due to difficulties in the broader bilateral relationship during 2007, the aid program was unable to provide direct support to policing, which reduced progress in delivering law and justice services to communities and reducing and prosecuting crime.

ASSESSMENT OF RESULTS AND PERFORMANCE

The law and justice program is achieving measurable progress against most of its goals. Although beset to some degree by governance issues similar to those in other sectors, a strong sense of sectoral identity—evident in PNG government leadership at senior levels—has emerged and is beginning to lead to improvements in operations and so in service delivery. Key outcomes are improvements in the provision of legal aid services, the functioning of the district courts and local-level crime prevention initiatives. The sector also saw significant improvements in the way provinces engage with law and justice agencies.

Australian assistance has contributed to a number of achievements.

- > Port Moresby's Yumi Lukautim Mosbi crime prevention activity led to improved services for victims of domestic and sexual violence, with a 130 per cent increase in the number of victims receiving accommodation and counselling by a local NGO.
- > Funding for 13 civil society organisations provided community services in a wide range of areas including human rights, domestic violence, community development and welfare. A dramatic decrease in the civil case backlog was facilitated through a major review of civil case files.
- > Services for victims of domestic and sexual violence improved in Eastern Highlands Province with the engagement and training of 20 counsellors by a local NGO.
- > There were 12 months of no crime in Barola, an area previously notorious for serious criminal activity, as a result of a community policing centre established. Five long-standing tribal fights ended as a result of peace agreements involving communities, police, mediators and government officials.
- > There was an improvement in the efficiency of the district courts, with a 170 per cent increase in the number of cases registered, and a 6 per cent increase in the number of village courts. Eighteen new women village court magistrates were appointed and trained in 2007, significantly boosting the number of these magistrates.

- > Access to justice was enhanced in Bougainville with the completion of the National Courthouse and a community justice centre in Wakunai, a remote part of Bougainville.
- > Access to legal aid has begun to increase, with a 47 per cent increase in legal aid lawyers due to the Public Solicitors Office successfully seeking an increased staff budget from the PNG Government and recruiting an additional 16 lawyers (12 women). A large proportion of beneficiaries of this service are women involved in domestic matters including violence, separation and child support.
- > Between 2001 and 2007 there was a 62 per cent reduction in the number of children held on remand, a 27 per cent reduction in the number of children sentenced to detention and a 47 per cent reduction in the use of correctional service facilities to detain children. Physical improvements made to prisons resulted in more secure and humane conditions for prisoners, particularly women and children.

The impact of political commitment and leadership on sectoral outcomes is particularly striking in this sector. Despite significant progress in many areas, the lack of political support for policing has been the biggest challenge since the withdrawal of the ECP policing component and the key constraint to better outcomes in this sector. Poor police performance is a major obstacle to improving the criminal justice system, deterring crime and addressing corruption in PNG. No measurable reduction in crime has occurred, and police performance and community trust in the police are low. Data for 2006 from Port Moresby show that 68 per cent of all persons charged with a serious crime were released before trial because of the lack of evidence presented by the police. However, this figure was reduced to 48 per cent by the end of 2007 as a result of remedial action taken by the Royal Papua New Guinea Constabulary.

Priorities for 2008 include re-engaging with the constabulary and supporting its reform agenda, through a strong partnership with the Australian Federal Police. Increased dialogue and engagement at the subnational level is also needed to see improvements in service delivery. A new program design is being developed and will be rolled out in 2009.

Australia has made a major investment in performance systems for this sector, with improved quality and quantity of data and increasing national ownership.

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

OBJECTIVE 1:

STABILISE SPREAD OF NEW INFECTIONS BY 2020

RATING

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

The rating for this objective is based on an assessment that Australian assistance—now in the second year of a new structure—is the right one to address emergency needs, long-term sustainability and PNG ownership of the HIV response. Given the size of the challenge, results will not be achieved without significantly greater understanding of the epidemic in PNG and scaling up prevention and treatment programs. AusAID has planned for both increased research and HIV services.

ASSESSMENT OF RESULTS AND PERFORMANCE

Although progress is being made in embedding national governance structures for the HIV response and implementation efforts are being increased, the HIV epidemic in PNG is outpacing the response. Prevention and education initiatives are largely not reaching community leaders, few prevention programs demonstrate an adequate understanding of gender issues, and no attempts have yet been made to systematically link surveillance data to prevention programs.

Australia provides about 64 per cent of the total resources for the HIV and AIDS response, and supports implementation through funding to NGOs and churches, and capacity building and technical support for key coordination agencies and monitoring processes, including the provincial response capability. This support was well-targeted in 2007 although significant capacity issues remain. In 2007 Australian assistance contributed to the following.

- > Eight new voluntary counselling and testing sites were constructed, 226 people were trained in delivering voluntary counselling and testing, and the number of people receiving voluntary counselling and testing continued to grow strongly (26 934 tests were undertaken in 2007).
- > Sixty-six small grants totalling K720 363 were disbursed to government and community groups in 14 provinces.
- > A total of 954 HIV awareness trainings were conducted, 1727 peer educators were trained, and an estimated 71 000 people were reached through initiatives to increase community awareness of HIV.
- > As many as 1683 employees participated in HIV workplace awareness training.

- > Gender training with several NGO partners was provided, and manuals and other tools were produced for training to deal with gender-based violence. This has resulted in a pool of people in communities with skills to address gender and social development issues in their organisations.

The HIV program has a significant presence nationally, with activities in highland, coastal and island provinces, but it is not yet at the scale required to make an impact on the epidemic. The key challenge now is to scale up resources to meet the emerging needs in PNG. Much more support in areas of financial resources, implementation capacity, human resources, coordination and planning is needed to bring the program on track to make satisfactory progress against DCS and PNG government objectives. This will include increased funding to subnational agencies, including provincial and district AIDS committees and local NGOs, and scaling up community-based interventions.

HIV mainstreaming across the PNG aid program, crucial to scaling up the prevention response and achieving nation-wide coverage of services, is now seeing substantial progress. The quality of activities, the ability of providers to meet the demand for HIV-related training, and sufficient human resource capacity to scale up interventions, especially in the key education sector are priority issues.

- > **Education** The aid program has supported a national HIV plan and theme 'Learning about HIV and AIDS: our schools, our future, our responsibility'.
- > **Law and justice** All agencies have developed workplace policies and most have begun 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, with the training of medical orderlies at seven prisons in HIV awareness, peer education and voluntary counselling and testing, and an agreement has been reached to recruit qualified nurses for all prisons in 2008.
- > **Democratic governance** In 2007 churches increased their focus on HIV. The establishment of an HIV working group further enhanced the ability of churches to undertake joint training and awareness activities and to mainstream gender through HIV interventions.
- > **Transport and infrastructure** The aid program works with provincial AIDS councils to increase awareness of HIV. Program staff have been accredited to provide awareness sessions, and drama groups are funded to perform HIV skits in public places.
- > **Rural development** Activities undertaken by the Agricultural Research and Development Support Facility include sensitisation workshops and assistance to develop HIV workplace policies and integrate HIV issues into agricultural research and development.

The information base is mixed but investments are being made in building the monitoring and reporting capacity of national implementing partners. Better information is being produced by sectors on mainstreaming initiatives. An impact assessment of the response through the Office of Development Effectiveness is being rolled out and, with the

National AIDS Council Secretariat and the World Bank, a national bio-behavioural survey is being planned for 2009. The 2007 Demographic Health Survey included HIV questions.

OBJECTIVE 2:

EFFECTIVE CARE AND TREATMENT OF THOSE INFECTED

RATING

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

Progress under this objective is tied at least in part to health sector performance. The aid program's revised engagement in the health sector will see improved management of the HIV response, but in the short term the response is being carried forward by civil society and donors.

ASSESSMENT OF RESULTS AND PERFORMANCE

Anti-retroviral therapy is still confined to a few urban hospitals, covering an estimated 15 per cent of the national need. It is completely inaccessible by remote communities. As the epidemic takes its toll in the rural areas and voluntary counselling and testing services are scaled up, the demand for anti-retroviral therapy will rise dramatically.

The aid program's support to the health sector's HIV response has been managed by the National Department of Health since mid-2006. Initiatives include the PNG Sexual Health Improvement Program, procurement (condoms and drug supplies), and support for the delivery of care and treatment services and surveillance. Australian-funded capacity-building support and in-line positions in the department play a key role in supporting the health sector's HIV program. In 2007 Australia contributed to:

- > 38 sites, which now provide anti-retroviral therapy
- > 2250 people, including 185 children, on anti-retroviral therapy (up from 1098 in 2006)
- > a National HIV Surveillance Plan finalised with the National Department of Health
- > 23 community home-based care teams, which cared for more than 500 individuals with HIV and other chronic diseases.

The Australian-funded Clinton Foundation PNG is accessing cheaper anti-retroviral therapy drugs through the international system, helping to set standards for treatment, and trialling a model of care in rural PNG. New clinics funded by Australia to diagnose and treat sexually transmitted infections are providing expanded access to services but delays to implementation have kept treatment at low levels. Australia's partnership with the World Health Organization supports the provision of technical assistance to the National Department of Health, and AusAID is co-financing the rural prevention and treatment initiative of the Asian Development Bank.

Performance issues in the health sector have strong impacts on the activities supported through the aid program, and the lack of PNG capacity and leadership is hampering progress at both national and subnational levels. The National Department of Health for instance has primary responsibility for managing Global Fund activities and the disbursement of funds, but delays in implementation have resulted in reduced funding. Considerable investment of donor time and resources is needed to make progress towards this objective.

Performance information in this area is improving slowly from a low base, but government health services are unable to provide consistent surveillance data. NGOs, churches and donor-funded advisers are the principal source of information.

OBJECTIVE 3:

STRENGTHENED NATIONAL CAPACITY TO LEAD, COORDINATE AND IMPLEMENT THE HIV RESPONSE

RATING

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

The National AIDS Council Secretariat is developing some capacity after its first year in its new role, but remains a weak institution. Australia supported the joint annual planning process and social research, but many weaknesses remain, particularly in monitoring and evaluation.

ASSESSMENT OF RESULTS AND PERFORMANCE

Strong support through AusAID's HIV program for the second annual planning process brought sectors and partners together to develop a common plan for implementing the National Strategic Plan, aligned to the PNG government budget cycle. This is a key process for the national response, assisting to clarify priority areas and gaps in implementation and capacity and establish sustainable coordination structures to optimise HIV and AIDS service delivery.

Other key achievements supported through the aid program include:

- > revised management policies and systems for the National AIDS Council Secretariat in information technology, human resources and finance
- > the revision of the Provincial AIDS Council manual
- > the establishment of a media unit within the National AIDS Council Secretariat and stronger media management processes
- > improved focus on social research through a revitalised national committee, revised guidelines and the development of a national research agenda, which will assist in prioritising the response and establishing stronger information and analytical work across PNG

- > 10 research cadets now undertaking projects around the country and in the Pacific—the result of the capacity-building partnership between the PNG Institute of Medical Research and the National Centre in HIV Social Research in Sydney that commenced in 2006
- > greater monitoring and evaluation skills among NGOs and the National AIDS Council Secretariat, resulting in improved systems for reporting on activities
- > the first missions of an independent review group, providing critical independent advice and oversight of the national response.

The National AIDS Council Secretariat remains a weak institution and will require ongoing high levels of support to make progress towards being an effective lead agency. However, relations with AusAID are strong and capacity building is targeting key strategic areas. Monitoring and evaluation of the response are key weaknesses and options are being explored to strengthen this area.

Enabling theme 1: Alignment of PNG and donor resources

OBJECTIVES:

THE GOVERNMENT OF PNG AND DEVELOPMENT PARTNER ALLOCATIONS FOR PRIORITY SECTORS INCREASINGLY FOCUSED ON PNG SECTOR STRATEGIC PRIORITIES;
MAINTAIN OR FURTHER INCREASE THE ALLOCATION OF THE GOVERNMENT AND DEVELOPMENT PARTNER RESOURCES TO MTDS EXPENDITURE PRIORITIES

RATING



The objectives are on track to be fully achieved within the timeframe of the strategy.

The rating is based on donor support increasingly being based on PNG plans and increasing alignment of PNG budgets with MTDS priorities.

ASSESSMENT OF RESULTS AND PERFORMANCE

In 2007 education joined health, law and justice, transport and HIV and AIDS as a sector in which donors are lining up behind a single sector plan. This form of collaboration now covers the majority of external support in PNG.

Aid program support for sector or agency participation in the budget process is proving to be helpful for good MTDS-aligned outcomes. The 2008 budget recorded further increases in budget provision for law and justice, transport and HIV and AIDS.

For 2008 almost 90 per cent of the development budget and more than 50 per cent of the recurrent budget are applied to MTDS expenditure priority areas, maintaining three years of sustained increase. However, the broad picture masks several ongoing weaknesses:

- > additional allocations are not invested in response to medium-term expenditure frameworks for key sectors
- > the quality and appropriateness of some additional budget expenditure are subject to political and other pressures and arbitrary decisions
- > there is a lack of focus on whether funds are actually applied for the purposes appropriated and, beyond that, whether they are having any real impact on service delivery.

Enabling theme 2: Capacity building and integration with PNG systems

CAPACITY-BUILDING OBJECTIVES:

CONTRIBUTE TO PNG LEADERSHIP DEVELOPMENT; PROMOTE EFFECTIVE CAPACITY BUILDING IN THE PUBLIC SECTOR AND CIVIL SOCIETY ORGANISATIONS

RATING

■ The objectives are on track to be fully achieved within the timeframe of the strategy.

The rating reflects the positive outcomes of major evaluations of the aid program's capacity-building activities in 2007. Some good outcomes have been achieved, but the limitations of capacity building in a complex and challenging operating environment must be acknowledged.

ASSESSMENT OF RESULTS AND PERFORMANCE

About 45 per cent of the aid program is spent on capacity building, largely in the form of technical assistance. Australia provides over 90 per cent of this assistance in PNG, and among donors is the default provider, being able to mobilise support quickly. The technical assistance is not evenly distributed: two programs account for over half of the assistance provided—the Advisory Support Facility and SGP. Arguably, more technical assistance is needed in some areas. For instance, only 10–15 per cent of the HIV and infrastructure programs is spent on technical assistance, sectors that could easily absorb more capacity support.

Evidence shows that the aid program's capacity-building approaches are starting to produce some good outcomes²³, particularly in the education, law and justice, health, HIV and subnational sector programs.

- > The law and justice sector is using a mix of practices to provide flexible and responsive support, including agency-based technical assistance and a core support team, twinning arrangements and support for PNG agencies to access consultancy services, where there is strong PNG ownership and ability to move forward.
- > The Sub-National Strategy is building capacity through flexible partnerships within government and at the community level.
- > The Advisory Support Facility has assisted agencies to implement the PNG Government's public sector reform objectives and has PNG's strong support in its provision of technical assistance. Contributions were made to strengthening agencies' corporate planning, organisational and change management, human resources and financial management.

²³ The 2007 Advisory Support Facility Phase 2 review, and a review of capacity building in the law and justice sector (Patricia Lyon).

- > The governance capacity of NGOs and churches was strengthened through HIV and democratic governance efforts.
- > ECP assistance improved audit capacity in PNG.

In PNG, capacity building is necessary but not sufficient for progress. The aid program produced a large body of analytical work on the effectiveness of its capacity-building support through sectoral program reviews and design processes in 2007. This analysis is resulting in technical assistance shifting from being an automatic solution for poor performance, to adopting a wider range of capacity development approaches. These approaches recognise that enhancing technical skills is not enough and that the most crucial and difficult step is changing behaviour and organisational culture and harnessing political will and drive.

However, further work is required to ensure program frameworks more consistently translate into effective capacity building on the ground. Joint analysis with the PNG Government is planned in order to gain a better understanding of the underlying causes and the means and incentives to improve public sector performance. The work will include analysis of the drivers of change. Questions need to be asked about value for money, providing resources alongside advisory support, and the risk of 'hollowing out' capacity by doing rather than building counterpart capacity.

INTEGRATION OBJECTIVES:

STRENGTHEN AND INTEGRATE WITH PNG SYSTEMS IN A MANNER THAT REINFORCES SOUND PUBLIC ADMINISTRATION AND CORPORATE GOVERNANCE

RATING



The objectives are on track to be fully achieved within the timeframe of the strategy.

The rating is based on program efforts to better analyse requirements for integration. Risks to the aid program and agency guidelines need to be agreed before further progress is made.

ASSESSMENT OF RESULTS AND PERFORMANCE

The aid program is moving slowly towards an approach that better positions Australia's engagement with key PNG government systems. The shift to program-based approaches, leading to sector-wide approaches in key sectors, provides the context for donors to increasingly use PNG government systems, most obviously in the procurement and financial management areas.

Overall, Australian assistance is making a concerted effort to improve financial accountability through the introduction of the Integrated Financial Management System, which will consolidate financial reporting and offer substantial opportunity to detect and manage corrupt activity in a proactive manner. Given the widespread use of trust and

imprest accounts within the program, most AusAID funds are effectively isolated from the risks prevalent in the PNG government system and subject to more rigorous controls and auditing. Until corporate guidelines for using partner government systems are finalised, sectoral programs have no clear guidance on acceptable risk and are unable to progress the integration of systems.

Examples of integration with PNG systems include:

- > all law and justice capital expenditure subject to PNG sectoral planning procedures
- > the transport program's use of the Department of Works' procurement mechanisms
- > HIV and AIDS money channelled through the National AIDS Council Secretariat's trust fund for small activity grants.

Corporate guidelines and further risk analysis are needed to understand partner agencies on a sector-by-sector basis. This analysis will inform the aid program's approach to risk management.

Enabling theme 3: Effective partnerships with and beyond the Government of Papua New Guinea

OBJECTIVES:

WORK EFFECTIVELY WITH AUSTRALIAN WHOLE-OF-GOVERNMENT PARTNERS; POLICY DIALOGUE WITH PNG GOVERNMENT AND MEMBERS OF PARLIAMENT; ENGAGE AND STRENGTHEN PNG CIVIL SOCIETY ORGANISATIONS; WORK EFFECTIVELY WITH PNG'S DEVELOPMENT PARTNERS

RATING



The objectives are on track to be fully achieved within the timeframe of the strategy.

The rating is based on the strength and breadth of the aid program's partnerships, and takes account of the high degree of complexity and resources required to sustain them.

ASSESSMENT OF RESULTS AND PERFORMANCE

Government

Evolving program approaches and the performance review and dialogue have structured opportunities for policy dialogue. The 2007 national elections meant re-establishing relationships with some key politicians and bureaucrats. The Partnership for Development presents an excellent opportunity to move to a new level of collaboration with the PNG Government. The co-location of AusAID officers in the Department of Provincial and Local Government Affairs and in provincial administrations (Eastern Highlands, East New Britain, Central and Bougainville) has enabled productive relationships with government counterparts and participation in high-level policy dialogue on policy and strategic outcomes.

Civil society

The democratic governance program is working innovatively with a number of state and non-state partners, including government agencies, Australian and PNG electoral commissions, the media, NGOs and churches. The church partnership program is a good example of practical multi-party partnership. In 2007 the HIV program strengthened its partnerships with a wide range of stakeholders, including the private sector, churches, and international and local NGOs, through capacity-building efforts, for example.

Other donors

The PNG Commitment on Aid Effectiveness, which Australia helped to bring about, was a major step forward in strengthening government and donor partnerships. AusAID took the lead in establishing a formal monthly forum of donor partners and co-chairs this with the UN resident coordinator. However, there are a range of significant challenges for Australia and other donors in developing and implementing strategies to effect the Commitment.

Development banks are key strategic partners and there is a strong working relationship with the World Bank and the Asian Development Bank, evidenced through donor forums and the Trilateral Cooperation Agenda, and a number of joint or co-financed activities. For instance, AusAID is working with the Asian Development Bank, the United Nations Development Programme and the PNG Government to improve capacity in financial management at the national and subnational levels through the financial management improvement program and the provincial capacity-building program.

Whole of government

The aid program's contribution to whole-of-government coherence was strong in 2007, witnessed in the effective Oro response and improved management of the ECP. Outcomes of interdepartmental discussion in Canberra show an increased appreciation of the complexity of supporting development in PNG. Partnerships in border security were strengthened through the PNG–Australia Quarantine Twinning Scheme. Under the scheme the National Agricultural Quarantine Inspection Authority and the Australian Quarantine and Inspection Service completed a quarantine risks assessment in PNG to inform future projects.

Enabling theme 4: Gender equality

OBJECTIVES:

IMPROVE GENDER DATA AND ANALYSIS; PROMOTE EQUALITY IN LEADERSHIP AND REPRESENTATION; PROMOTE EQUAL DEVELOPMENT OUTCOMES

RATING



The objectives are on track to be fully achieved within the timeframe of the strategy.

The rating reflects recent strong progress in scaling up efforts to promote gender equality in the aid program, and the raised profile of gender equality across all sectors. However, given the scale of the inequality problem this work is only the beginning and there are key gaps that need to be filled if the program is to make an impact.

ASSESSMENT OF RESULTS AND PERFORMANCE

Much more needs to be done, but there has been some excellent work across the aid program to support gender equality within the country. Achievements in 2007 included the following.

- > Strong support was provided for women through the support for national elections. Women made up more than one-third of the 750 000 people educated in voter awareness programs, which had governance messages. Women candidates were also supported at the local level to run for elections.
- > Women's networks in East New Britain received support to run an education program for women interested in running for local elections.
- > The law and justice sector began to see returns from investing in gender equality through three gender advisers and the development of a gender strategy in 2005. All sector agencies now have equal employment opportunity policies, permitting decisions on discriminatory employment practices. Strong leadership has resulted in the prosecution of sexual harassment cases. The sector has funded 13 civil society organisations to work on human rights issues, including domestic violence. Physical improvements have been made to some prisons, which have made conditions more secure and humane for women and children held within them. Twelve of the 16 new lawyers appointed by the Chief Magistrate are women. Two important community policing initiatives—Haus Ruth and the Morata Safe House—have helped to reduce domestic violence.
- > The transport program has endeavoured to benefit women economically through their employment on roads projects and now in the development of a gender strategy. In the program 'Key Roads for Growth', 30 per cent of road workers are women. Creative incentives have been built in by AusAID to encourage women's participation.

- > The education sector has supported the appointment of district women's facilitators, increasing community participation in school boards.

A major gap in the aid program is the lack of any focus on gender equality within the economic and public sector program. This is being addressed in the new sector design. The lack of women in decision-making positions within all departments, combined with few women employed at all within the public sector, is a key hindrance to gender equality within the country. More broadly, a clearer articulation of how women contribute to economic activity within the country will support sustainable broad-based economic growth and increased productivity. What is needed are specific economic development opportunities that take account of the differences men and women play within the economic life of the country, the central role women play in the agricultural sector and the critical issues they face around access to land.

There is little evidence that gender equality is considered in more than a piecemeal way in the health sector. Gender has a higher focus within the education sector. However, within the National Department of Education, gender equality initiatives linked to the education gender strategy have largely floundered.

The HIV program has a very clear focus on gender equality and has linked the lack of equality for women to the AIDS epidemic. The program has two gender advisers and has supported the development of a gender strategy for the sector. Despite this, the incidence of sexual violence against women has not abated across the country and the HIV epidemic will continue to flourish without a larger and more effective concentration on this area.

The aid program has increased its knowledge base on gender inequality. A gender adviser was recently appointed and the collection of gender-disaggregated data commenced at the sectoral level.

What is the quality of AusAID activities in Papua New Guinea?

The biggest challenge to the quality of the PNG aid program is its monitoring and evaluation systems. The monitoring systems of the two initiative designs that underwent a quality-at-entry (QAE) process were viewed as being of less than adequate quality, and the PNG program received its lowest number of satisfactory scores for monitoring and evaluation when assessed for the quality of implementation. The QAI assessments identified that 65 per cent of all initiatives had monitoring and evaluation frameworks that require some improvement. By contrast, the two QAE exercises undertaken at the sectoral level achieved a rating of good to very good.

QUALITY AT ENTRY

Only two PNG initiatives involving sport for development and provincial capacity building went through the formal QAE process in 2007. It is therefore difficult to draw out any general comments on the quality of the design work being undertaken within the PNG aid program. However, the peer review for both of these initiatives rated the monitoring framework as being of less-than-adequate quality. Two additional QAE processes have been completed for the law and justice and the democratic governance programs at the broader sectoral level. The ratings from these two QAE reviews, which were good to very good, indicate that the PNG program is having more success at designing monitoring and evaluation systems at the sectoral level than at the initiative or activity level.

QUALITY AT IMPLEMENTATION

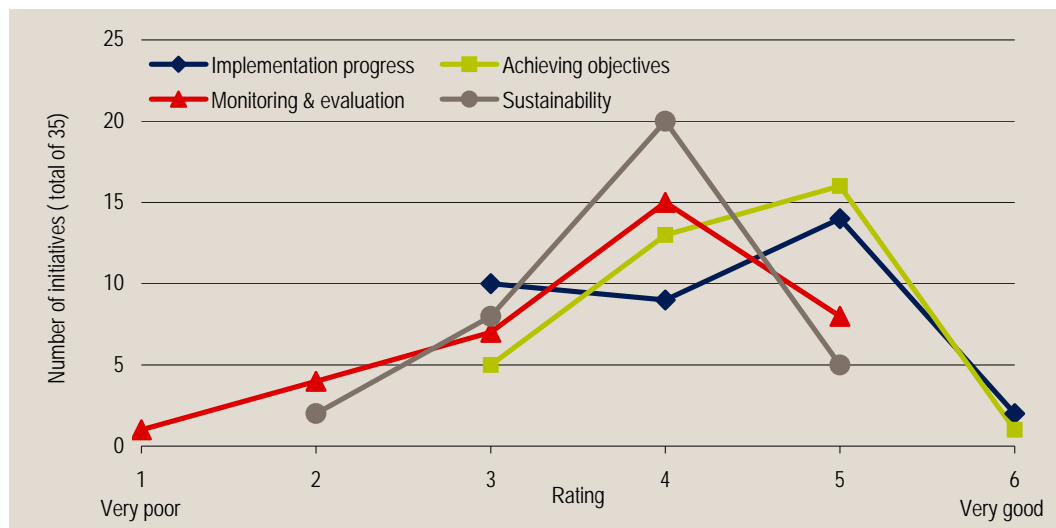
Based on the criteria set out in AusAID guidance, 35 initiatives out of a possible 82 were assessed (Figure 3). Although this is a relatively small number of initiatives (43 per cent), it represents in dollar terms around 87 per cent of 2007–08 expenditure. AusAID as an agency is aiming to have an overall quality rating of 75 per cent ‘satisfactory’. The PNG program meets this benchmark against only one of the four criteria—implementation progress, achieving objectives, monitoring and evaluation, and sustainability.

Overall program results found that:

- > 71 per cent of initiative managers rated the progress in implementation as satisfactory—down from 87 per cent in 2006–07
- > 86 per cent of initiative managers determined that their initiative was achieving its objectives—down from 87 per cent in 2006–07
- > 66 per cent of initiative managers rated the monitoring and evaluation framework for their initiative as satisfactory—up from 62 per cent in 2006–07

> 71 per cent of initiative managers rated their initiative's sustainability as satisfactory—up from 65 per cent in 2006–07.

FIGURE 3 PROGRAM QUALITY AT IMPLEMENTATION SCORES



Note: Satisfactory ratings: 6 = very good; 5 = good; 4 = adequate. Less-than-satisfactory ratings: 3 = less than adequate; 2 = poor; 1 = very poor.

An interesting statistic to look at across these four criteria is the percentage of initiatives that require some improvement (all initiatives rated '4' or lower). In 2007–08 about 45 per cent of initiatives required some improvement in implementation, 51 per cent in achieving objectives, 73 per cent in monitoring and evaluation, and 88 per cent in sustainability. In relation to sustainability, although the number of initiatives rated as satisfactory increased, the greatest increase was in the number rated as 'adequate', indicating that more work needs to be done to ensure the sustainability of these initiatives.

Only two initiatives received the highest score possible (6) for implementation progress and one of them received that score for achieving objectives. At the other end of the spectrum, two initiatives were rated as unsatisfactory across all four criteria. For both the capacity of counterpart agencies was considered one of their biggest impediments. The health sector contains a number of initiatives at risk of also falling into this category.

Within the sectoral programs, some trends were apparent. With a small number of exceptions, the health program rated its initiatives as adequate or lower. The democratic governance program had similar ratings (with only one program scoring a rating higher than adequate). The ECP and rural development initiatives provided the biggest contrast, with ratings ranging from poor to good quality across the four criteria. While some level of subjectivity cannot be avoided, these ratings generally, and probably accurately, reflect trends within the particular programs.

If the results of the recent QAI exercise are compared with the one completed in 2006–07, for the most part the results at the initiative level remained steady or improved. The quality of a small number of initiatives was lower in 2007 than in the previous year. AusAID is working to identify the extent to which these ratings are the result of a more

stringent review of the quality of the program, or whether the decline in ratings indicates that additional resources need to be invested to improve the quality of these initiatives.

QUALITY AT COMPLETION

A large gap was identified in the information on quality at completion (QAC) being collected by the PNG aid program. The program had 19 initiatives that the Operations Policy and Management Unit identified as being within the scope of the QAC tool.²⁴ Of these 19 initiatives, none have completed a formal QAC process, or an alternative process that addresses the QAC ratings. As a result, there are no QAC ratings for the PNG program for inclusion in this report. In 2008 the program will incorporate QAC ratings into the terms of reference for all independent reviews, enabling the QAC tool to be used as part of the independent appraisal process.

LOOKING FORWARD

Initiative managers were asked to make statements on a number of crosscutting themes, including gender and anticorruption, in QAI reports. In 2007 AusAID was able to better focus the thinking of initiative managers in these areas by providing them with specific questions to answer (which were linked to the PNG program's Performance Assessment Framework). AusAID plans to provide ratings for two aid program crosscutting themes—gender and anticorruption.

In conjunction with AusAID's Operations Policy and Support Branch, the PNG program is looking at ways to improve portfolio monitoring plans to enable stronger links to other AusAID quality processes. This will assist in better integrating key corporate processes within the program in relation to quality, monitoring and risk management.

²⁴ It should be noted that four of these 19 initiatives were not completed but subsumed into a broader initiative. The current reporting of the Operations Policy and Management Unit records this as non-compliance. It should be noted that, for the PNG program, all but one of the initiatives concluded in 2007.

