



# CASE STUDY

LINKING CENTRAL REFORM TO SERVICE DELIVERY



Photographer: Rocky Rowe



Australian Government

AusAID

Office of Development Effectiveness

## KEY MESSAGES FOR AID EFFECTIVENESS

- > Seek opportunities to support strong institutions where local ownership already exists
- > Provide the right support at the right time – strategy should drive modality and not the other way around
- > Be persistent – develop strategy, monitor its ongoing relevance and give it sufficient time to show results
- > Support evidence-based participatory policy development wherever possible
- > Develop public advocacy messages and communicate progress

Recognising that a major constraint on service delivery was a lack of sufficient and predictable funding, Papua New Guinea's National Economic and Fiscal Commission (NEFC) led a process that has reformed the way provinces are funded to deliver essential services such as health and education.

Both the PNG Government and the donor community consider the reform process that was supported by AusAID-funded advisers to be good practice. The assistance was long-term, flexible and supportive of PNG Government ownership, with the reforms always clearly linked to the objective of improving service delivery in PNG.

AusAID provided the NEFC with advisory services to support data collection, analysis and policy dialogue. By using targeted gap-filling technical assistance and supporting systems reform from within the NEFC, AusAID strengthened the process without diminishing NEFC or PNG government ownership.

The Office of Development Effectiveness (ODE) case study series: "Effective development approaches" *to influence, inform and improve understanding of what works, and why.*

## FINDINGS

This study found that several interrelated factors drove the NEFC's success. It was the combination of a strong, well-led agency, targeted donor support based on analysis, local ownership and a participative reform process that struck a balance between technical and political concerns.

These areas are explored in the three core research questions:

### 1. Is the organisation that led the reform process particularly strong?

*“A Governor said (of the NEFC) you have a very thick skin; we keep telling you we're not interested but you keep coming back”*

— RELATED BY NRI SENIOR RESEARCH FELLOW, DR ALPHONSE GELU AT A NATIONAL RESEARCH INSTITUTE SEMINAR ON SUB-NATIONAL GOVERNANCE, PORT MORESBY, 8 SEPTEMBER 2009.

The NEFC enjoys strong leadership, independence and commitment to improving service delivery in PNG. Its strength is its flexibility and persistence. The NEFC reports directly to Parliament and is not burdened with departmental activities and pressures.

The NEFC-led reforms have benefited from strong and consistent leadership. The NEFC chair led the changes with his strong, decisive personality and excellent communication skills. He is skilled in building coalitions and influencing people. The NEFC staff demonstrated personal commitment to improving service delivery and the courage to try things outside their comfort zone. The NEFC has been described as ‘an extremely output focused organisation’.





Photographer: Rocky Rowe

## 2. Is the AusAID advisory support exceptionally good?

*“The most important thing was mutual respect between NEFC chair and the advisers”*

– DR ALPHONSE GELU AT A NATIONAL RESEARCH INSTITUTE SEMINAR ON SUB-NATIONAL GOVERNANCE, PORT MORESBY, 8 SEPTEMBER 2009.

By identifying provincial service delivery financing as a key constraint to service delivery, AusAID support to the NEFC became a strategic entry point to support a systems approach to reform. The provision of advisers to support a reform process is common to many AusAID projects. However, the particular mix of technical assistance provided to the NEFC and how the advisers were managed improved the chances of success of the NEFC’s reform.

During the seven-year project, the AusAID funded advisers worked closely with the NEFC, driving local ownership of the reform process. AusAID’s approach was to encourage the NEFC to determine what expertise was required, rather than designing a program of support over a set period and letting the modality drive the process. The NEFC participated on selection panels and removed advisers if they were unsuitable. The advisers reported operationally to the NEFC chair rather than to a contracting agency or donor. By using targeted gap-filling technical assistance and supporting systems reform from within the NEFC, AusAID strengthened the process without diminishing government ownership.

The advisers were flexible, responsive and open to different approaches. They combined their experience with that of the NEFC staff to develop a participatory approach to policy dialogue that was technically sound and culturally appropriate. A further benefit offered by the in-house advisers was the on-the-job training for local NEFC staff. This allowed staff to focus on knowledge directly relevant to the task, rather than generic training, and built technical and analytical skills.

### 3. Are the reforms themselves especially robust?

*“The problem might be technical, the solution is always political”*

– CHAIRMAN OF THE NATIONAL STRATEGIC PLAN TASK FORCE, PROFESSOR DAVID KAVANAMUR  
AT A NATIONAL RESEARCH INSTITUTE SEMINAR ON SUB-NATIONAL GOVERNANCE, PORT MORESBY,  
8 SEPTEMBER 2009.

The NEFC reform struck a sound balance between technical and political needs through robust policy development.

In its initial phase, the process focussed on data collection to inform stakeholders understanding of the current situation and to guide debate on changes. This data was used to argue for a reform process that:

- > looked at the whole system and not just the formula for calculating the transfer
- > used a participatory approach to get buy-in from key stakeholders
- > was based on the evidence at hand
- > was flexible and worked within existing political realities

The NEFC put a lot of effort into building good working relations with government agencies that would be responsible for implementing and monitoring the reforms. This helped to build broader ownership and to lay the foundation for these agencies to understand and support successful implementation and monitoring.

*“Developing countries have the tendency to adopt too many reforms at once because there are so many problems but then implementation becomes very difficult and it becomes an exercise in fixing all the problems caused by the reforms”*

– CHAIRMAN OF THE NATIONAL STRATEGIC PLAN TASK FORCE, PROFESSOR DAVID KAVANAMUR  
AT A NATIONAL RESEARCH INSTITUTE SEMINAR ON SUB-NATIONAL GOVERNANCE, PORT MORESBY,  
8 SEPTEMBER 2009.

One reason that the NEFC’s proposed reforms were accepted is that it offered well thought out options that can be implemented and are politically viable and it encouraged stakeholders to provide alternative solutions that were acceptable to all. The NEFC recognised the importance of managing expectations of what could be achieved. A successful part of the policy development was the emphasis given to inclusiveness, with the NEFC ensuring that key stakeholders were kept informed of the latest information and consulted in policy solutions.

To support their public advocacy efforts, the NEFC produced information that showed the cost of service delivery, how much was spent on services and total revenues by province. This illustrated how the quality of service delivery was not just about how much money a province has, but how that money is used.

At a national level, the NEFC engaged policymakers and politicians and tested the proposed reforms with private sector and civil society groups. The requirement of support from a two-thirds absolute majority of Parliament to pass new legislation meant that gaining broad-based bipartisan political support was imperative. The agreement that no province received less funding in the first five years was critical to securing support for the changes.



Photographer: Rocky Rowe

## BACKGROUND

*“We have given a Kina figure to the word “need” (in terms of service delivery) for the first time.”*

— NEFC CHAIR

The NEFC was tasked by the PNG Government to review the formula used to calculate central government funding to the 20 provinces. The existing formula resulted in unaffordable transfers, placing the economy at risk. Essential services like health and education suffer from lack of finance and unpredictable flow of funds. Because the calculation was based on headcount rather than the actual cost of services, some provinces struggled to finance even the most basic of services.

A simple solution to the problem that the grants were unaffordable would be to reduce the Kina per person amount, but this would not improve service delivery financing. Instead, the NEFC recommended that the funding formula be changed to reflect the actual cost of providing services in each province. The process, for the first time, also considered the provinces own ability to finance services.

With little reliable data available, the NEFC collected data on the cost of services, resources and resource allocation, along with responsibility for service delivery in all PNG provinces. AusAID provided the NEFC with advisers to support this data collection, analysis and policy dialogue on the findings.

Through the NEFC-led process, stakeholders reached agreement on the shape of the reforms. Funding from government to the provinces would be calculated on the cost of service delivery rather than on population size. Provinces were guaranteed to receive no less under the new system than they had under the old approach for the first five years.

In July 2008 the PNG Parliament enacted a series of amendments to the Organic Law to allow the reforms to proceed. Given how time consuming and politically challenging legislative changes can be in PNG, this achievement was highly significant.

Through the reforms, there is greater predictability and transparency of funding, as well as increased funding to poorer provinces. There is now a growing understanding at all levels of government about service delivery priorities and responsibilities, supported by law which states that provinces fund essential services (health, education, law and order, agriculture and infrastructure). Data on costs of the services and provincial budget resources provide a sound basis to calculate government transfers and can also be used to develop and review provincial budgets and has the potential to support the design of donor interventions.

The NEFC built broad ownership of the reforms through a consultative process, supported by impartial policy analysis and responding to the needs of different groups. Institutional arrangements were put in place to oversee the service delivery functions, along with defined responsibilities.

The NEFC led reform in PNG and the support that AusAID provided to it was highly effective. It was long-term, flexible and encouraged PNG Government ownership, and the changes have the potential to produce more effective service delivery throughout PNG.