

Independent Review of the PNG Economic and Public Sector Program

MANAGEMENT RESPONSE

Initiative Summary

Initiative Name			
AidWorks initiative number	INI 903		
Commencement date	1 May 2009	Completion date	31 March 2015
Total Australian \$	100,000,000		
Total other \$	N/A		
Delivery organisation(s)	Coffey International Development		
Implementing partner(s)	Government of Papua New Guinea		
Country/Region	Papua New Guinea		
Primary sector	Governance		
Initiative objective/s	<p>Higher level objective: Equitable, effective and accessible services for the men, women and children of PNG .</p> <p>Intermediate level objective: An effective and efficient public service that focuses on service delivery for the men, women and children of PNG and creates an enabling environment for broad based economic growth.</p> <p>Five Results Areas:</p> <p>Result 1: A more skilled and effective public service</p> <p>Result 2: Improved use and management of public financial resources</p> <p>Result 3: Government is more informed, transparent and accountable</p> <p>Result 4: Policy and regulatory settings are more supportive of sustainable broad-based growth</p> <p>Result 5: Effective and efficient Whole-of-Government service delivery system</p>		

Initiative Summary

The Economic and Public Sector Program (EPSP) is a significant initiative, conceived and designed collaboratively by the Governments of Papua New Guinea (PNG) and Australia. It replaced the Advisory Support Facility (ASF) and addresses the needs of central agencies in their role as key enabling institutions supporting effective government in PNG, with a focus on the equitable delivery of services to the men and women of PNG. The funding of the EPSP focuses support on the use of advisory supports, targeted training, research and analysis, management support and twinning with Australian Government agencies to strengthen the capability and performance of the central agencies of GoPNG. The total value of this initiative is \$100 million over 5 years, starting 2009-10.

The Program is structured around a results framework, which provides the goal, results and outcomes the program aims to achieve. The results articulate the systematic change EPSP was designed to support by 2020. The outcomes measure significant progress to achieving the program's goal and results areas. These have a shorter time horizon of four years and are used as indicators to track the program's implementation.

Review Summary

Review Objective:

The purpose of the review is to provide senior AusAID management and EPSP Program Management Group (PMG) with:

- an assessment of the adequacy of progress toward EPSP's end-of-program outcomes outlined in the results framework;
- an assessment of whether the successes are contributing to improved service delivery;
- lessons learnt from successful and less successful aspects of the EPSP initiative;
- strategic recommendations to enhance the current phase of EPSP, taking into account findings from the recent governance analysis report, EPSP Strategic Review (November 2011) and the Strongim Gavman Program (SGP) Mid Term Review; and
- advice on better harmonising EPSP with assistance provided under Australian Whole-of-Government Programs (specifically The Australia-PNG Twinning Initiative and the SGP).

Review Completion Date: 6 December 2012

Review Team: Cedric Saldanha (Team Leader), Murray Edwards (Public Finance Specialist) and Felecia Dobunaba (Public Sector Specialist)

AusAID's response to the evaluation report

- The Independent Review of the Economic and Public Sector sought to interpret a changing policy environment for the Program, making recommendations to enhance EPSP performance. The review is generally a well-targeted analysis of the key issues that are affecting the effectiveness of the program and provides sound advice on a future direction for the program. The review was based on two weeks of interviews in addition to documentary analysis. This provided a strong evidence base. The previous experience of the three reviewers in roles close to the program (either in PNG Government or other major governance programs in PNG) adds a longitudinal perspective which usefully complements the interview and documentary review process. While AusAID found the recommendations to be useful and insightful in the broad, AusAID did feel that on occasion the text in the document was somewhat at odds with the recommendations themselves. These inconsistencies are not major, but they have the potential to lead to misinterpretation if read in isolation from the recommendations.
- AusAID agrees or partially agrees with all of the 10 recommendations. We only disagree with one subset of recommendation 3, which relates to the development of a Performance Management Framework for Central Agencies. This work has already begun within GoPNG and would not be a useful area of support for an AusAID funded program at this point in time.
- The review was also well timed so as to inform key components of the new AusAID Governance Strategy. The Governance Strategy is due to be presented to a new Australian Government in November 2013 and will provide overarching guidance for a suite of new governance programs.

Next Steps

- Based on the recommendations in this review, AusAID and GoPNG have directed a shift in the direction of EPSP. The program is re-focussing on supporting the Government of PNG to improve the operation of the public sector where it directly impedes or impacts on the effective delivery of basic services to the people of PNG. These improvements will be in line with the Australia-PNG Partnership for Development. This will include a greatly increased emphasis on whole-of-government engagement and coordination between national, provincial and local-level governments. It is clear that lasting reforms to improve service delivery require effective coordination and buy-in both horizontally (across national agencies) and vertically through the service delivery implementation chain.
- The shift from an agency focus to a service-delivery-issue focus will be developed and progressively implemented. While 2013 will be a year of delivery under existing Capacity Development

Agreements (CDAs) – following on from a year of implementation in 2012 in which resources were mobilised – agency specific CDAs, as they are currently formulated, will be seen through to their agreed conclusions over the next 18 months. Over that period, the first iterations of a new form of agreement will be developed. These will target specific impediments to effective service delivery as identified by GoPNG in consultation with EPSP, AusAID and other key stakeholders. These agreements will not be bound to one specific department or agency, but will be structured to enable EPSP to work across government to help GoPNG address all aspects of specific 'issues' which GoPNG is seeking assistance to address.

AusAID's response to the specific recommendations made in the report

Recommendation 1:

The EPSP has about 18 months to go till its end of term in mid-2014. Despite the overall recommendation that the EPSP move to the issue focused approach as quickly as possible, it is important that during this period, EPSP honours the commitments it has made to its participating agencies via the capacity development agreements.

Response: Agree

Actions: AusAID will continue to honour commitments made under Capacity Development Agreements (CDA) signed with agencies. All CDAs end 31 March 2014. AusAID and the Government of PNG will continue to monitor the implementation of each of these agreements and adjust support as necessary if agency drive or will to bring about change declines. EPSP will increasingly provide support in a more flexible manner to capitalise on opportunities for reform but also reduce support where results are not being delivered. During 2013 discussions regarding the issues focused approach will be undertaken with agencies as part of ongoing programming. If issues are identified with agencies and the commitment to progress solutions is present, then CDAs will be renegotiated to better reflect the shifting program approach.

Recommendation 2:

EPSP has yet to develop capacity development (CD) agreements with DNPM and AGO. These are two key agencies linked to service delivery. The Review recommends that the issue focused approach, with its emphasis on agency contributions to service delivery, be used in developing the CD agreements for these two agencies. In terms of issue-focused diagnostics, both these agencies have had their strategic/corporate plans completed. They are clearly aware of their responsibilities and outputs to support service delivery. A series of guided discussions with management should be adequate to arrive at the performance issues and related capacity gaps that need to be addressed.

Response: Agree

Actions: AusAID is in the process of negotiating a new phase of support to the Auditor General's Office. This support will reflect the new program approach and issues focus. It is expected to be finalised as part of the development of the issues focus in 2013. AusAID, through EPSP has agreed to support a strategic review of the role and functions of the Department of National Planning and Monitoring. As with the Auditor General's Office, new assistance to National Planning will be considered as part of the issues-based approach. Proposed reforms to DNPM have resulted in significant delays to this process to date. Support for DNPM will focus on improved service delivery.

Recommendation 3:

The EPSP should use available resources and its remaining 18 month period to move program emphasis to an issue focus. In this connection, the following are some of the initial recommended actions:

Response: Agree

Actions: See detailed comments on each recommended actions below.

Recommendation 3(i):

A shortlist of key blockages to service delivery which are contributed to by central agencies should be developed and approved by the PMG as the primary focus of the program. Wide consultation with central agencies, sector agencies, provinces and other AusAID supported programs will be necessary in arriving at the shortlist.

Response: Agree

Actions: Many studies have been undertaken on key blockages, both as a part of this Review and under previous programs (among others, see various papers prepared during EPSP and SNS design by Kathy Whimp, Richard Slattery, John Mooney and Peter Deakin). These range from intra-governmental financing to agency specific technical constraints. Through a collaborative process with GoPNG, several key issues have been identified for further analysis. This analysis has begun through AusAID and the PMO. It assesses both the technical and political economy constraints, including the appetite for reform. Addressing service delivery issues will require coordination between central agencies and high levels of GoPNG ownership and drive. The program will facilitate this coordination.

Following this initial analysis and based on its recommendations, a refined list of issues was presented to the PMG in July 2013. AusAID and the PMO are currently designing and implementing these interventions.

Recommendation 3(ii):

A lead agency must be nominated for each key issue. This will be the decision of the Chief Secretary, in consultation with the concerned head of agency.

Response: Agree

Actions: As key issues are agreed by the PMG, discussions will commence with the Chief Secretary and agencies to determine which agencies are best placed to lead. Attention will be given to the engagement of the relevant lead agency's senior executive team.

Recommendation 3(iii):

Disciplined diagnostics should be applied to each priority issue to identify the contributions by central agencies. Again, EPSP must ensure that the diagnostics are a participatory process, headed by the lead agency.

Response: Agree

Actions: A process to assess, analyse and address key issues has been developed during the first half of 2013. This process has been participatory, draws on lessons learned from the CDA processes and reflects on past support in this sector to ensure effectiveness and value for money.

Recommendation 3(iv):

The program should develop and present to the Chief Secretary a proposal to support PM&NEC begin work on a tighter performance management process for central agencies, focusing on their contributions to service delivery, related annual targets, a performance tracking system, and biannual performance reporting through the Chief Secretary to NEC.

Response: Disagree

Actions: The Chief Secretary has explicitly told AusAID that there is no need for the program to develop and present to the Chief Secretary a proposal to support PM&NEC begin work on a tighter performance management process for central agencies. The Chief Secretary confirms that work has already commenced on this within the department and EPSP should be supporting the department in its current actions not developing parallel process. Discussions will commence in 2013 with the Chief Secretary and Department of National Planning and Monitoring to ascertain how and if EPSP can better support GoPNG's established efforts in this area.

Recommendation 3(v)

The number of target agencies should be reduced to focus on those with the most influence on service delivery. This will happen automatically should the above recommendations on the issue focused approach be adopted. Central agencies with the most direct line of sight to service delivery would be PM&NEC, DoT, DoF, DNPM, DPM, CSTB and AGO. Though EPSP should retain a degree of flexibility to support other agencies on issues that may have indirect but important impact on services (e.g. IRC through revenue collection; ICCC through market regulation).

Response: Agree

Actions: While honouring commitments already entered into (Recommendation 1), through 2013/14 the program will reduce the number of agencies to whom it provides support in line with this recommendation.

AusAID's policy frameworks and the PNG-Australia Partnership for Development emphasise that the focus of all our programs is poverty reduction. In line with this policy directive, efforts to improve 'service delivery' will focus on where we can make the most difference in this regard.

Recommendation 3(vi):

EPSP's training assistance, grants, and monitoring and evaluation system must move focus to service delivery issues and blockages.

Response: Agree

Actions: AusAID, in consultation with the Program Management Office and the Program Management Group, has already redesigned the grant guidelines in to ensure they are more targeted and reflect a 'service delivery' focus. A review of training approaches is also underway.

Recommendation 3(vii):

To assist in all of the above, EPSP needs to appoint, urgently, a Senior Public Sector Adviser who would be capable of facilitating the processes behind all of the above actions.

Response: Partially agree

Actions: A remote technical advisory group was established in May 2013 to provide strategic guidance and support to the program. It is comprised of experts in Public Financial Management, Economics and Public Sector Management. A Principal Team Leader position has also been created that sits across both EPSP and PLGP within the managing contractor. This position is delegated to harmonise the approaches of these two programs and also facilitate the key recommendations of the review with direction from AusAID staff.

Recommendation 4:

The ongoing emphasis on mainstreaming gender and social inclusion into agency operations must continue.

Response: Agree

Actions: AusAID will continue to work with gender specialists to further strengthen gender and social inclusion through program. A high profile Gender Advocate (Dame Carol Kidu) has been incorporated into the PMG as of March 2013. Other recent progress in this area has included the recruitment of a Whole-of-Government Gender Advisor (located in the Department of Personnel Management). This advisor has supported a variety of activities, most notably the introduction of a Gender Equity and Social Inclusion Framework which applies across the Public Service.

Recommendation 5:

The PMG of the EPSP and the Steering Committee of SGP/Twinning should be merged into one body. The committee need meet only biannually. Its key role should be to provide the strategic focus on service delivery, ensure links and integration between EPSP/SGP/Twinning, approve six monthly investment plans and monitor progress. Down the line, consideration should be given to integrating the PLGP oversight body

into this committee thus ensuring that all governance / public sector management programs in GoPNG have one oversight body.

Response: Partially Agree

Actions: AusAID agrees that there should be closer coordination of key programs of support to the PNG public sector and should aim to reduce the management burden on senior PNG bureaucrats in program management. However, we are cognisant of the SGP Independent Review Management Response and the future re-design of SGP in 2013 in responding to this recommendation. Discussions will be held with the Program Management Group and Chief Secretary to progress this recommendation in line with program re-designs. AusAID has consolidated the AusAID teams that oversee PLGP and EPSP and is currently developing joint-approaches across the national and sub-national governance programs.

Recommendation 6:

At an operational level, the PMO must ensure closer integration of EPSP with SGP and the Twinning initiative in agencies where all three programs operate through - (a) engaging with the SGP team leaders more actively; (b) sharing of annual work plans and monthly reports among advisers, and (c) regular (weekly) meetings among advisers of all three programs.

Response: Agree

Actions: The three programs will be more closely integrated in 2013. All new CDAs identify the different programs of support operating in each department. Issues based interventions will develop integrated and coordinated approaches to addressing blockages. AusAID and the PMO will increase engagement with SGP team leaders. AusAID will meet regularly with SGP Team leaders to improve coordination and linkages. The Economic Coordination Group will continue to play an active role in supporting greater collaboration.

Annual workplans and reporting will be shared to the greatest extent possible with SGP team leaders and advisors will be encouraged to meet on a regular basis – recognising the constraints of the working environment and time pressures.

Recommendation 7:

The PMO must more actively pursue deeper links with PLGP and the sector programs, with a focus on the service delivery blockages contributed by central agencies.

Response: Agree

Actions: This process is already well underway. The Program Management Group has instigated regular meetings with PLGP. PLGP is now represented on the EPSP PMG as are Government Provincial representatives. AusAID teams overseeing PLGP and EPSP have been consolidated and will be focusing on program interaction in 2013. It is expected that the issues-based agreements will include collaboration between programs and in view of this a Principal Team Leader has been appointed in the managing contractor to oversee both programs (EPSP and PLGP) as their work becomes more closely aligned. AusAID and the PMO will also seek to ensure greater coordination with Democratic Governance programs in 2013, with a view to ensuring the effectiveness of an issues-based approach.

Recommendation 8:

Both AusAID and the PMO must engage more actively with the leadership of each agency to discuss the agency's contributions and links to service delivery, and facilitate the institution of the performance management system referred to under 3.iv above. This should lead to an adjustment of EPSP's support to the agency and enhance its focus on service delivery.

Response: Agree

Actions: Cognisant of recommendation 3(v) AusAID a new EPSP 2013 Strategic Framework was agreed by the Chief Secretary and the PMG in March 2013. The 2013 Strategic Framework provided the opportunity to engage the leadership of GoPNG agencies in realistic discussions about their department's impact on basic service delivery to the people of PNG and the Partnership for Development priority areas. From this discussion has come a reorientation of the program more broadly to focus on service delivery issues. This

transition is currently being implemented and senior departmental representatives have been heavily engaged in the identification of key issues and will continue to be engaged as interventions are planned to address them.

Recommendation 9:

AusAID should appoint a Senior Public Sector Adviser in its country office, who will advise programs across the board on governance / public sector issues. The position will support consistency in AusAID's approach to governance and capacity development, encourage sharing of information and linkages between the programs. The position will report to the Head of Aid in AusAID.

Response: Partially agree

Actions: It is not considered that a Full time Public Sector Adviser is required. As outlined in response 3(vii), a panel of experts will be used to provide strategic guidance while a Principal Team leader will assist in implementing the recommendations of the review.

Recommendation 10:

AusAID should initiate (or revive, as the case may be) the Economic and Public Sector Coordination Group which would comprise the AusAID Governance and Public Sector Adviser, the EPSP and PLGP AusAID managers and TLs, the SGP TLs and DFAT. This would ensure the Australian supported governance programs speak with one voice.

Response: Agree

Actions: This Group is meeting on a regular basis to discuss relevant issues for the sector.

Other Issues

Trickle down approach

EPSP's design promotes a 'trickle down approach' to strengthening public sector performance on service delivery. The assumption is that through the broad strategies of developing skills across the public sector, improving the management of public financial resources and facilitating information flows, in the course of time services will improve. However, there is little hard evidence that the trickle down approach has worked over the last 20 years of capacity building. And PNG cannot afford the luxury of time in improving service delivery.

Response: Agree

Actions: As noted above, AusAID supports the move to a targeted, issues-based focus for EPSP. The process of transition is already underway and the first stage of analysis has commenced as of June following agreement on the first stage of blockages at a working group meeting in April. Line of sight to service delivery and a focus on poverty reduction will be a central to decision making going forward.

AusAID is currently undertaking a major review and redesign process across governance programs where the assumptions which underpin the design, including the use of the trickle-down approach are in question. AusAID Principal Sector Specialist for Governance visited Port Moresby in Feb 2013 to facilitate a workshop on approaches to governance and a new strategy will be finalised in 2013.

The balance between capacity building, short-term capacity substitution and other modalities will be reconsidered through the review/design process.

Monitoring and Evaluation

The monitoring and evaluation framework of EPSP will need substantial restructure if EPSP moves to the 'service-issue' focus. Its current focus is on corporate aspects of central agencies. It would need to move its focus to agency performance related to resolving the issues / blockages in service delivery.

Response: Agree

Actions: The EPSP M&E Framework is broad and is currently structured around results framework, as is standard practice, not on corporate aspects of central agencies. It will need to be updated to reflect the new mode of working. The M&E matrix was last updated in 2012. While individual interventions in agencies have monitoring systems which reflect the task, and many of these are corporate in nature – these are not a part of the overall Monitoring Framework. It is envisaged that AusAID will update the EPSP M&E Framework following the finalisation of the Governance Strategy.