

Independent Progress Review of the PNG-Australia Economic and Public Sector Program (EPSP)

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List of Acronyms

ADB	Asian Development Bank
ADF	Australian Department of Finance
AGO	Auditor General's Office
APSC	Australian Public Service Commission
ASF	Advisory Support Facility
ATO	Australian Taxation Office
AusAID	Australian Agency for International Development
CACC	Central Agencies Coordinating Committee
CD	Capacity Development
CDA	Capacity Development Agreement
CIMC	Consultative Implementation and Monitoring Council
CSTB	Central Supply and Tenders Board
DoT	Department of Treasury
DoF	Department of Finance
DLIR	Department of Labour and Industrial Relations
DNPM	Department of National Planning and Monitoring
DPLGA	Department of Provincial and Local Government Affairs
DPM	Department of Personnel Management
DSIP	District Service Improvement Program
ECP	PNG Enhanced Cooperation Program
EPSP	Economic and Public Sector Program
FAID	Financial Accountability and Investigations Division (DoT)
FMIP	Financial Management Improvement Program
GoA	Government of Australia
GoPNG	Government of Papua New Guinea
IFMS	Integrated Financial Management System
ICCC	Independent Consumer and Competition Commission
IFMS	Integrated Financial Management System

IRC	Internal Revenue Commission
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MPAs	Minimum Priority Activities
MTDS	Medium Term Development Strategy
NEC	National Executive Committee
NEFC	National Economic and Fiscal Commission
NRI	National Research Institute
NTC	National Training Council
PAC	Public Accounts Committee
PCaB	Provincial Capacity Building Program
PAFTS	PNG – Australia Finance Twinning Scheme
PATTS	PNG – Australian Treasuries Twinning Scheme
PER	Performance Effectiveness Review
PLGP	Provincial and Local Government Program
PLLSMA	Provincial and Local Level Services Monitoring Authority
PM&NEC	Department of Prime Minister and National Executive Council
PMO	(EPSP's) Program Management Office
PMG	(EPSP's) Program Management Group
PNG IPA	PNG Institute of Public Administration
PPII	Provincial Performance Improvement Initiative
PPMF	Performance Planning and Monitoring Framework
PSRMU	Public Sector Reform Management Unit
PSRP	Public Sector Reform Program
PSWDP	Public Sector Workforce Development Program
SGP	Strongim Gavman Program
SNP	Sub National Program
SNS	Sub National Strategy
UPNG	University of Papua New Guinea
WoG	Whole-of-Government

Executive Summary

- **The Economic and Public Sector Program (EPSP) has been in operation since mid-2010.** Its purpose is to strengthen the central agencies of the Government of PNG (GoPNG) in their support to service delivery. Its overall goal is - *“More equitable, effective, and accessible services for men, women, and children of PNG”*.
- **Service delivery in PNG remains a growing concern.** Despite the operation of numerous governance and sector programs, services – especially in the core priority areas of health, education, law & justice and transport infrastructure - continue to deteriorate and levels of poverty continue to rise. In this context, the responsiveness of the EPSP to its overall goal and purpose is all the more relevant and critical.
- **EPSP’s resources however, are primarily focused on corporate functions of central agencies and not on their support for service delivery.** Of the 38 advisers mobilized by EPSP to date (27 long term and 12 short term), only three are involved in central agency functions related to service delivery. The rest focus on corporate functions such as corporate planning, HR, training, and IT. Of the 10 grants approved to date, only two directly relate to service delivery. Of the five research areas that EPSP has recently started up, three have a focus on service delivery.
- **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.
- **The ‘diagnostics’ used by EPSP to identify agency capacity needs have not been used appropriately** and are another reason for EPSP’s inordinate emphasis on corporate functions. Rather than focusing on central agency performance and identifying the critical performance shortfalls, particularly those related to supporting service delivery, they have instead focused on corporate aspects of central agencies with no link to performance to justify this focus.
- **The SGP presence in target agencies has also pushed EPSP to focus primarily on corporate functions.** SGP does not itself focus on frontline functions that support service delivery but only on frontline policy and technical functions. EPSP is called upon to focus primarily on backroom corporate functions. In between, the frontline service delivery related functions remain substantially un-supported.
- **EPSP needs to urgently and decisively move from an ‘agency and a corporate focus’ to a ‘service issue-focus’** wherein resolving the service delivery issues and blockages contributed by central agencies become its primary pursuit.
- **There are five key issues or service delivery blockage areas where central agencies play a significant role.** These are – (i) budget allocations and delays in the flow of funds to the point of service delivery, (ii) need for stronger accountability for and reporting on the use of funds, (iii) clarifying staff establishments and controlling payroll costs particularly of provincial administrations (since these contribute to budget blowouts and starve services of monies), (iv) inefficiencies in the procurement and contract management processes, and (v) poor performance management and performance information on service delivery accountabilities.

- **Each key issue can and should become a discrete ‘initiative’ under a revised EPSP approach.** Each issue should be subjected to a disciplined diagnostic to identify primary causes. These are often contributed by more than one central agency. A program of interventions can then be developed, across concerned central agencies, to address these causes
- **EPSP currently supports 15 agencies; rather too many.** If the service delivery focus is adopted, this would reduce its target agencies to those with the most direct line of sight to and impact on services. These are – DoT, DoF, DNPM, DPM, AGO, CSTB and PM&NEC. It is important that EPSP concentrates its efforts on these agencies and their role in service delivery. EPSP should however retain flexibility to support other agencies on issues that may have indirect but important impact on services (eg IRC through revenue collection; ICCC in market regulation).
- **Many key agencies lack a performance focus in their operation, much less a focus on their contributions to service delivery.** Beyond their strategic or corporate plans, which are often written up with broad function-related objectives, they have no clear annual output targets, no performance tracking and information, no enforced and disciplined performance reporting on outputs. This most fundamental of public sector management issues has yet to become a focus of EPSP.
- **There is also reluctance on the part of central agencies to actively work with other agencies to resolve well known service delivery blockages.** Yet most of the blockages which central agencies contribute to in service delivery (eg cash flow delays, delayed salary payments, tender contract processing) require cross agency collaboration, EPSP should aim to assist central agencies to focus not just on service delivery issues, but also on how they can better work together in joint problem solving.
- **EPSP engagement with senior leadership of its client agencies on policy and strategic issues needs to be substantially strengthened.** In most of the primary target agencies identified above, the SGP and the Twinning Initiative have strong engagement with senior agency management on these issues due to their focus on policy and frontline strategic outputs. EPSP lacks such engagement since it focuses primarily on corporate facets. It can and should begin engaging on issues relating to frontline service delivery.
- **EPSP’s links with SGP and the Twinning initiative are weak.** EPSP’s capacity development agreements with each agency do include coverage of the assistance offered by SGP and Twinning; but this appears to be for completeness sake. There is no substantive and operational linkage between the three programs. They have differing work planning arrangements, differing reporting requirements and their advisers’ terms of reference are not usually linked. While EPSP’s program management has some accountability here, AusAID too has an important role in ensuring the three programs link up more effectively.
- **EPSP’s links with PLGP and the sector programs are also negligible.** This is to be expected since to date, EPSP does not have a primary service delivery focus. Should the issue focus be adopted, EPSP will need to strengthen its links and collaboration with these programs. Down the road, consideration needs to be given to integrating EPSP and PLGP so that there is in place one cohesive capacity development program for the whole vertical governance structure of GoPNG.
- **EPSP has supported some worthwhile gender/HIV related initiatives.** Its diagnostics have collected good baseline data on gender related issues in the agencies in which it operates. It supports GoPNG’s GO 20 program which promotes equity and social inclusion in the workplace.

- **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.
- **The Program Management Group (PMG) which oversees the program will continually need to guard against the risk of conflict of interest.** The PMG’s strengths are that it is chaired by the Chief Secretary and has Head of Aid – AusAID as a member. However, its other members comprise agencies that are at the same time client agencies of the program. In practice, members acknowledge their conflict of interest when issues / requests arise from their own agencies, and they desist from participating in related decisions. This practice is lauded; but the potential conflict of interest risk remains and needs to be guarded against.,
- **Consideration should be given to combining the EPSP’s PMG and the SGP’s Steering Committee.** The Steering Committee of the SGP has similar functions to the PMG of EPSP. Combining them would ensure closer integration of EPSP with SGP and Twinning. 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 supported by Australia in GoPNG have one oversight body.
- **AusAID needs to consider how to better structure itself internally** to support a more strategic approach to governance and public sector reform issues in PNG. It needs to strengthen its own internal capacity to analyse governance and public sector issues across all programs it finances in PNG. It needs to ensure consistency in its approach to governance in all of its programs. It needs to better leverage its program presence in all vertical governance structures in GoPNG, and laterally in all key service sectors, to help get agencies work more collaboratively in joint problem solving related to improving services.

Recommendations

1. The EPSP has about 18 months to run till its end of term in mid-2014. Despite the overall recommendation that EPSP move to the issue focused approach as quickly as possible, and reduce its target agencies, it is important that during this period, EPSP *honours the commitments it has made to its participating agencies* via the capacity development agreements.
2. It has yet to develop *capacity development 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.
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:
 - (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.

- (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.
 - (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.
 - (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.
 - (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 (eg IRC through revenue collection; ICCC through market regulation).
 - (vi) EPSP's *training assistance, grants, and monitoring and evaluation system* must move *focus to service delivery issues* and blockages.
 - (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.
4. The ongoing emphasis on *mainstreaming gender and social inclusion* into agency operations must continue.
 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.
 6. At an operational level, AusAID and 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.
 7. AusAID and the PMO must more actively pursue *deeper links between EPSP on the one hand and the PLGP and the sector programs on the other*, with a focus on the service delivery blockages contributed by central agencies.
 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.
 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.

1. Introduction

1.1 Review Background

The Economic and Public Sector Program (EPSP) in PNG began operation in 2010. It is a four year, \$100 million program which “*addresses the needs of central agencies in their role as key enabling institutions supporting effective government in PNG, with a focus on delivery of services to the majority of the population*”.¹ The original design document makes very clear that **improving service delivery is the foremost purpose of the EPSP**. Its primary goal was slightly re-formulated in its 2012 Strategic Framework to – “*More equitable, effective, and accessible services for men, women, and children of PNG*”.² The principal intent is to strengthen central agencies in their support for line agencies and the sub national governments so that services are delivered more effectively and equitably across PNG.

AusAID has been financing governance support and capacity development (CD) for PNG central agencies for some 20 years. Despite this long record of support, deep inefficiencies continue and central agencies are still unable to respond effectively to improve services. Poverty in the districts is increasing, not reducing. It is timely to ask – what is amiss with the current approach to supporting CD? Is it indeed realistic to expect CD programs like EPSP to make a tangible difference to services? AusAID was quite clear that it expected the Review to investigate these questions with rigour and frankness. It is looking for answers to guide both the EPSP going forward as well as future governance/capacity development programs for the central agencies in PNG.

The newly elected Government of PNG (GoPNG) is also impatient with the level of support provided by the public sector for services. GoPNG via the Governor General’s (GG) speech made on the opening of the ninth national Parliament on 21 August 2012, has suggested that it will “*completely overhaul the public service to improve efficiency and accountability*”. The Prime Minister has recently “*urged public servants to get away from the normal way of doing things in Waigani as they were producing little results*”.³ The Prime Minister and the new government are also seeking answers on why central agencies, despite the years of CD, remain inadequately focused on results and service delivery.

This review of EPSP is the first biennial Program Effectiveness Review (PER) required under the Program Design Document.

1.2 Review Objectives, Key Questions, Methods

The EPSP is only two years into implementation of a four year program. It would be unrealistic to expect substantial changes in public service efficiency to have already occurred due to its influence. The Review Team has also noted that the EPSP has had to operate within a changing administrative and political environment. The team leader for EPSP has been changed three times over its two years of operation. The expectation of obtaining strategic direction from CACC did not eventuate due to changes in the Chief Secretary’s position and the sidelining of CACC as an integral mechanism of the decision making process. The political upheaval in 2011 and preoccupation with the 2012 national elections also affected government including central agency functioning.

Despite all of the above, the expectation is that the program would have by now at least *clarified its strategic focus*, and *narrowed down the critical factors / issues / areas of change* it needs to concentrate on to achieve its ambitious goal. It is further expected that the program would have progressed to a reasonable degree in addressing these factors and issues.

The purpose of the Review is to examine the validity and relevance of the program’s strategic focus, the relevance of the factors / issues / areas of change identified, and the extent of progress made on them.

¹ Economic and Public Sector Program – Design Document, May 2009, page 15.

² Economic and Public Sector Program – 2012 Strategic Framework, page 1

³ Gavamani Sivarai, 31 August 2012

In this context, the immediate objectives of the Review (as provided in the Review's Terms of Reference)⁴ are –

- *Assess the adequacy of progress* toward EPSP's end-of-program outcomes outlined in the results framework;
- *Assess whether the successes* are contributing to improved service delivery;
- *Identify lessons learnt* from successful and less successful aspects of the EPSP initiative;
- *Make strategic recommendations* to enhance the current phase of EPSP, taking into account findings from the recent governance analysis report, EPSP Strategic Review (November 2011), the Strongim Gavman Program (SGP) Mid Term Review and proposed changes by GoPNG in policy and government structures.
- *Advise on better harmonising EPSP* with assistance provided under Australian Whole-of-Government Programs (specifically The Australia-PNG Twinning Initiative and the SGP).⁵

1.3 Review Team and Key Activities

The Review Team comprised Cedric Saldanha (Team Leader), Felecia Dobunaba (Public Sector Specialist) and Murray Edwards (Public Finance Specialist). Rob Harden (AusAID) and Stephen Hills (AusAID) participated in some of the team's discussions with various stakeholders, though primarily as observers.

The Review Team undertook a documentation review of all relevant documents listed in the Annex 2. The team visited Port Moresby over the period 17 – 28 September 2012 and held meetings with a range of stakeholders. The list of persons and agencies consulted is attached as Annex 3. The Review team deeply appreciates the effort made, the time given and the contributions provided by those who participated in the team's meetings and discussions.

2. Review Findings

2.1 Relevance of EPSP's Design

2.1.1 Trickle Down versus Targeted Approach to Service Improvement

The original design of EPSP has four broad 'components' which are intended to help deliver EPSP's goal of improving service delivery. These are –

- 1) A more skilled and effective public sector workforce
- 2) Improved use and management of public financial resources
- 3) Government is more informed, transparent and accountable
- 4) Policy and regulatory settings are supportive of sustainable broad-based growth⁶

The EPSP design draws a rather long bow in linking these broad component objectives and the goal of improving service delivery. The design is obviously based on theory of the trickle down impact of strengthening public sector performance. The underlying assumption is that if we develop skills, improve the management of public financial resources, facilitate information flows, and promote appropriate policy and regulatory settings then in the course of time services will improve. These capacity strengthening activities will finally have impact on rural poverty.

As a consequence of this broad focus, the Review finds that most of EPSP's assistance to central agencies is focused on 'corporate functions' such as corporate planning, human resources management, corporate financial systems, training, and IT.⁷ The Review also notes that some of these

⁴ See Annex 1 for the Review's Terms of Reference and a Summary of the EPSP's Results Framework which is included in the ToRs.

⁵ The Review will not make recommendations on a second phase of EPSP. This would be a conclusion for AusAID to arrive at, in consultation with GoPNG, and based on the findings of the Review.

⁶ Economic and Public Sector Program – Design Document, May 2009, page 16.

⁷ EPSP Adviser Listing as at 31 August 2012 is attached as Annex 4. This was provided by the EPSP - PMO

agencies (such as DoT, DoF, DPM, IRC) have been receiving support for these very same corporate functions for many years now, starting with the EPSP predecessor program – the Advisory Support Facility (ASF).

This kind of corporate capacity development support has a dubious link and line of sight to service delivery. There is little hard evidence that EPSP, or its predecessor ASF, despite years of the investment in corporate capacity development, has had any discernible impact on improving services. On the contrary, despite their assistance, services keep deteriorating, not improving. And as PNG's population increases, the consequences of poor services on poverty levels will multiply.

This focus on corporate functions has been aided and compounded by poor quality diagnostics. Rather than focus on the performance issues of the central agencies, particularly those contributing to service delivery blockages, the diagnostics have generally focused on organization corporate facets thus deepening EPSP's focus on corporate functions rather than performance. (The Review will deal with the matter of diagnostics in further detail later in this report)

The EPSP's 2011 Strategic Review implicitly recognized that the program's component design was not adequately relevant or responsive to the program's goal of improving service delivery. Rather than explicitly addressing this issue, it recommended the addition of a fifth component to EPSP's design titled "Effective and efficient whole-of-government service delivery systems". This was supposed to address the need for the program to more directly address the specific inadequacies of central agencies in their support for service delivery. EPSP's 2012 Strategic Framework does establish a set of 'systemic issues' related to this fifth component.

The Review suggests that GoPNG and AusAID acknowledge the obvious non-responsiveness of EPSP's design to its goal, and move from the trickle down approach to a more "targeted and service delivery performance approach". In practical terms, this means identifying the specific constraints and blockages to service delivery **which can be clearly traced back to the role and performance of central agencies**. These blockages, and the performance contribution of central agencies to them, must then become the focal point of EPSP's problem solving and capacity development assistance. .

Below are some service delivery blockages which are widely recognized as being areas where central agencies have clear accountability. Both the Design Document and EPSP's 2011 Strategic Review have made reference to some of them.⁸

⁸ Papua New Guinea–Australia Economic and Public Sector Program Design Document, May 2009, Pages 3–9

**Box. 1. Indicative List of Key Blockages in Service Delivery
Caused by Central Agency Performance**

- Budget Allocations for services and Cash Flow delays. Delays in the release of warrants and cash for provinces, including the function grants. Money sometimes reaches the provinces late in the 3rd quarter. (DoT/DoF/DNPM)
- Delays in the roll out of the District Treasuries. 56 to date, though not all are working effectively. (DoF)
- Provincial Treasuries (who report to DoF) do not adequately support Provincial Administrators. This creates problems with budgeting for services and fund flows.
- Delayed and inaccurate provincial accounts. DoF's support is critical to ensure these are done timely and to requirements to allow for follow up cash releases.
- 2nd quarter reviews and audits of provincial budgets and accounts are not stringent enough. Provinces and districts need to be made more accountable to ensure budget monies are applied to MPAs. (DNPM, DoT, DoF)
- Staff establishments not clear. Payroll blow outs. (DPM)
- Delays in salary and personal emoluments release eg teachers' salaries in the provinces. (DPM, DoF)
- Procurement delays and quality of decision making which impacts on development projects and services. (CSTB/PSTBs)
- Development budgets for line agencies are sometimes approved, appropriated and then diverted to other purposes. (DoT, DNPM)

A concentrated approach to addressing these blockages has become essential. They have been persisting for years. Numerous studies and government reports point them out repeatedly. Various programs such as EPSP, SNP/PLGP, and the sector programs mention them. But no concerted and determined action seems to eventuate to address them. These blockages need to become the focal point of EPSP if it is serious in addressing its stated goal of improving service delivery. The expectation that broad public sector strengthening will finally trickle down to address these specific issues in the absence of a coordinated and focused approach is disingenuous. Each issue must be subjected to a detailed and disciplined diagnostic. The precise causes of the blockages and the roles central agencies play in creating them must be identified, followed by related and targeted capacity development to address these contributors.⁹

In short, EPSP needs to adopt a problem-solving, on-the-job capacity development, learning-by-doing approach with the central agencies.

2.1.2 Issue Focus versus Agency Focus

The above discussion raises the question of whether EPSP's implementation approach should continue with its current agency focus or move to an issue emphasis. The issue focus would ensure that the **starting point of EPSP's diagnostic process is not an agency but the specific blockage to service**

⁹ EPSP support to address these service blockages would need to be closely linked to efforts by PLGP.

delivery which is the responsibility of a central agency. The resulting capacity development interventions would be more focused and performance driven. One would hopefully see impact on services much quicker.

An additional reason to move to an issue focus is that many service issues or blockages have **more than one agency as contributor**. Thus, a corporate, single agency focus does not help address such blockages. The issue focus would introduce a true whole-of-government approach, which identifies the contributors to the blockage and works to address the blockage through the collaboration of contributing agencies. The primary contributing agency would take carriage or leadership of pursuing the issue. The EPSP should facilitate this collaboration.

EPSP should seriously consider prioritizing the service related issues / blockages mentioned in Box 1 and select the most critical. Each should then be developed into **a discrete initiative** of the program. As an example, possibly the four most important issues to be addressed as individual initiatives would be as follows –

- 1) The Budget Allocation and Cash Flow Initiative (lead agencies – DoT/DoF/DNPM)
- 2) The Accountability Initiative – Improving Quarterly Budget and Performance Reviews, Timely Completion of Accounts and Internal Audits. (lead agencies – DoT/DoF/AGO)
- 3) Staff Establishment and Payroll Initiative (lead agency – DPM)
- 4) Improving Procurement and Contract Management Initiative (lead agency – CSTB/DoF)

Under this approach, each issue would be subjected to its detailed diagnostic; causes identified; and an initiative support package developed and implemented with EPSP's assistance.

More importantly, unlike the broad program component approach, each issue initiative would have specific and meaningful targets, tangible monitoring indicators to guide and track progress, and an associated set of operational competencies in the concerned central agencies which will be strengthened through on-job problem solving.

Box 2 Realigning EPSP's Strategic Focus

Current EPSP Emphasis	Proposed EPSP Emphasis
<ul style="list-style-type: none"> • Targets a range of central agencies • Individual agency focus • Broad based capacity development • Diagnostics focus on corporate facets • Agency focus • Trickle down impact on service delivery 	<ul style="list-style-type: none"> • Targets primarily those central agencies which have a direct contribution to service delivery • Service delivery issue / blockage focus • Problem and performance focused capacity development • Diagnostics focus on performance issues, particularly those related to supporting service delivery • System/process (cross agency) focus involving all who have influence on the service issue • Targeted and early impact on service delivery

Adopting the issue focus or emphasis **does not mean that EPSP completely abandons its support for strengthening corporate functions**. All that this Report is saying is that the service delivery focus must be at the centre of EPSP's strategy. This needs to become the driver of the program. And if certain corporate functions are shown to need strengthening in terms of their link to resolving particular service delivery blockages, then they certainly should be addressed by the program.

2.1.3 Absence of Performance Emphasis

A clear performance framework which holds heads of agencies accountable for annual results is fundamental to the functioning of an effective public sector. It is even more essential to enable holding central agencies accountable for their influence on service delivery blockages. In the absence of this, there is little incentive for central agency leadership to adopt change.

As the overarching governance and public sector strengthening program of PNG, EPSP has the opportunity to catalyse and support the institutionalization of a whole-of-government performance management system. The original program design specifically suggests this.¹⁰ Also, such a system is not new to GoPNG. A few years ago, PM&NEC had done a lot of ground work on this issue. The political context is now supportive and therefore ripe for reviving this initiative. The new government publicly supports a reform agenda. The public sector has a Chief Secretary who is focused and results oriented. It is opportune for EPSP to support him in revitalizing this project to institute a result-oriented performance management system. EPSP will have difficulty influencing a central agency focus on service delivery blockages in the absence of this.

The diagnostic analysis used by EPSP would have been the appropriate opportunity to engage with agency leadership on a performance stocktake of the agency. This would be via a re-visit to how the strategic or corporate plan is faring in its implementation. A true diagnostic analysis would begin with analysing an agency's performance on its key performance indicators (KPIs). The analysis would identify the gaps or improvements required in current KPI performance and then work back to uncover the capacity weaknesses causing underperformance.

If EPSP had approached its diagnostics in this manner, it would have discovered there are no performance targets which focus on the agency's contributions to services; there is no performance information, and no performance tracking. If there is one overarching and key contribution EPSP can make to corporate functioning, it is to help agencies become more focused on performance, and particularly performance related to service delivery, to help them set relevant targets, track related performance, and provide biannual performance reports to the Chief Secretary and the NEC.

Most of the diagnostics done by EPSP do not begin with or are anchored in a rigorous performance analysis of the agency, and in particular of its performance on service delivery. This perspective was not a priority of the diagnostic template. The diagnostics instead analyse various facets of an agency such as role, function, structure, staffing, skills, and leadership. The so called gaps identified are not performance gaps but capacity gaps. And these capacity gaps are not demonstrated to have a clear link to performance. Addressing them will therefore not necessarily lead to improved performance in the immediate future.

When senior management of some central agencies were interviewed by the Review Team, they were asked what their agency's key performance problems were. They repeatedly mentioned corporate issues such as staffing, skills, structure, and communication. It was difficult to get them to discuss service delivery blockages where their agency was involved. This further underscored the lack of a performance focus.

The fundamental issue with EPSP currently is that its capacity development interventions are not directly linked to agency performance, and much less so to performance linked to service delivery.

¹⁰ Papua New Guinea–Australia Economic and Public Sector Program Design Document, May 2009, Page 20

The Review suggests that the institution of a **Results Oriented Performance Management System** for central and national agencies becomes a parallel and complementary initiative to the issue-focused initiatives proposed under 2.1.2 above. A proposal in this regard needs to be developed and presented to the Chief Secretary as Chair of the CACC. .

2.1.4 Lack of Joint Problem Solving

GoPNG agencies are typically reluctant to take responsibility for working together to jointly resolve issues relating to service delivery. All know fairly clearly what blockages exist in the service delivery chain. They also know fairly clearly who the contributors are to each blockage. It is the coming together to address the issue / blockage in a concerted and coordinated effort that somehow does not happen. The need for a joint problem solving approach remains the biggest challenge (after the need for a performance focus) for GoPNG central agencies and for service delivery.

The fact is there is little incentive for senior agency managers to make the extra effort needed to work together. As mentioned earlier, there is no operating performance system that requires establishment of annual performance targets related to these issues. There is no performance tracking process. Existing performance reporting requirements are not really output-oriented, and in any case are not adhered to either in terms of quality or timeliness making accountability for non-performance very difficult.

As the overarching program to help improve public sector performance, particularly related to service delivery, this should become a priority for EPSP i.e. support of cross agency problem solving. An agency focused approach does not encourage this. However, if EPSP does indeed move to emphasize an issue focus, this would be the natural follow through. The diagnostic of the issue would need to be undertaken by an inter-agency group. This would ensure buy-in by the concerned agencies at the starting point of the exercise. EPSP is in a unique position to facilitate this, having a presence in all key central agencies.

2.1.5 Target Agencies

EPSP targets a substantial array of central and national agencies with its assistance. They total 15 and range from agencies which have a very direct role in facilitating service delivery such as PM&NEC, DoT, DoF, DNPM, DPM, CSTB and AGO; and others which have a somewhat more indirect line of sight to services such as IRC, ICCC, DLIR, Immigration, PAC and PNG IPA.¹¹

The question is – would the goal of improving service delivery be better served if EPSP focuses only on agencies with the most direct line of sight to services? If the issue emphasis is adopted, this would be the natural consequence. EPSP would inevitably narrow its focus to agencies which have been identified as having clear and direct roles in creating service delivery blockages.

The Review Team recommends EPSP refocus its assistance to agencies with a direct line of sight to service delivery (PM&NEC, DoT, DoF, DNPM, DPM, CSTB and AGO) though retaining a degree of flexibility to support other agencies on issues that may have indirect but important impact (eg IRC through revenue collection; ICCC through more effective market regulation).

If EPSP does not move to concentrate its focus and deepen its involvement with such agencies, it runs the risk of diluting its support and therefore its potential impact on improving services. This is discussed further under 2.2.2 below.

¹¹ It could be argued that the IRC and ICCC also have a direct line of sight to services. IRC raises the revenue necessary for services, and ICCC protects consumers on the prices of daily household needs.

2.2 Effectiveness

2.2.1 Some Positive Accomplishments

The program has achieved valuable engagement with some of its key target agencies. In particular, it appears to have a strategic engagement with DPM and DoF.

The HR Connect initiative of DPM, supported by EPSP, fulfils all of the criteria previously discussed. It begins to address one of the blockages to service delivery viz. staffing establishments, payroll, and salary release delays. It is an issue directly related to a KPI of DPM. Senior management appears committed to addressing the issue in collaboration with DPLGA and other agencies. EPSP assistance seems to be used to good purpose here; though it has not been underpinned by any thorough prior diagnostic to date and the initiative itself appears to have been rather hastily rolled out, without the necessary and prior staff data cleansing that is essential. If it became a primary 'initiative' of the program as suggested under 2.1.2 above, it would need a substantial re-visit from a design and implementation point of view.¹²

Also in DPM, EPSP has usefully supported the Public Sector Workforce Development Program (PSWDP). While not directly service delivery oriented, PSWDP has been fulfilling a useful role of upgrading skills across all agencies in the public service via various training modules such as "the New Basics and Developing the Next Generation " and the 'Executive Development Program". The latter is still evolving with the help of the APSC under the Twinning initiative. EPSP can usefully bring to these programs the focus of performance accountability and service delivery. It is expected that the PSWDP will, in 2013, transit from being a Public Investment Program (PIP) to being mainstreamed and part of the recurrent budget of DPM. This means its dependence on EPSP assistance will gradually lessen. This augurs well for its future sustainability.

The support of EPSP to DoF to strengthen its assistance to some provincial and district treasuries to independently prepare quality and timely annual financial statements is also relevant and useful. DoF is also helping strengthen some provinces in their revenue monitoring processes, recovery of lost revenue and identifying potential revenue not being collected. Small but tangible results have emerged on both the fronts. These are good examples of building capacity in the process of addressing a services-related issue or blockage and getting results on both fronts – the capacity gap and the performance gap. This assistance needs to be built into a more substantive initiative with the help of EPSP.

EPSP's support to ICCC appears to have been useful. The management of the agency has taken the initiative to seek EPSP advisory support for some key regulatory and consumer protection related exercises. The agency has not depended on EPSP's diagnostic to identify the support it needed (though a diagnostic was done later). The management appears to have a clear grasp of the performance issue and where EPSP can usefully close the capacity gaps.

2.2.2 EPSP's Ability to influence Reform

EPSP's challenge is to catalyse institutional change. It is not clear whether the leadership of central agencies is at all interested or committed to addressing their agency's contributions to the intransigent blockages in service delivery such as those described in Box 1. Given the continuing persistence of these blockages, it seems not. This makes the job of EPSP all the more harder.

The senior leadership of agencies who were interviewed by the Review Team seemed more interested in using EPSP to address their ongoing corporate problems, rather than their agency's contributions to blockages in service delivery. This focus was reinforced by the EPSP's diagnostics which concentrated inordinately on agency corporate functions.

¹² Given PNG's relatively poor history of outcomes from past payroll reforms, there are obvious risks to AusAID in supporting the initiative under the EPSP in the absence of such prior analysis/assessment

EPSP's presence in many agencies via just a couple of advisers focused on corporate functions does not provide it the leverage and interaction with senior leadership necessary to influence change. Admittedly, the number of advisers is not necessarily the key factor. However, the quality of these advisers, the issues they focus on, and the higher-level support they get from the PMO and AusAID does count towards the extent of influence they can generate. The Review Team saw little if any capacity on the part of EPSP to influence substantive and sustained change in agencies towards a more effective focus on service delivery.

A related issue is the operation of SGP and the Twinning program in some of these agencies (DoT, DoF, AGO, IRC). SGP team leaders appear to have strong relationships with senior leadership in these agencies. SGP has a natural comparative advantage. It brings to the table strong policy, strategic and technical expertise and a long record of institutional relationships. SGP TLs have a robust grasp of the substantive performance and technical issues relevant to agency performance.

In comparison, the issues on which EPSP primarily focuses are not frontline performance related.. This need not be so. SGP advisers cannot and do not cover all performance-related areas of concern. In DoT, DoF and AGO, SGP has neither the interest nor the capacity to support these agencies in their assistance to line (sector) departments and provincial administrations. On the other hand, this would be a strategic and appropriate niche for EPSP

A concerted effort is required by EPSP to persuade central agency leadership to focus on those operations which support service delivery. This implies developing relationships and influence with the leadership of target agencies, and using a range of strategies to persuade and guide them in leading change. This means fairly intensive interaction between EPSP and AusAID on the one hand, and with agency leadership and SGP TLs on the other. It also calls for a different set of adviser skills to those currently being provided.

A starting point for this process would surely be an intensive dialogue with agency leadership on the service delivery blockages identified in Box 1.

2.2.3 Links with other Programs

EPSP does not appear to have strong linkages with other Australian funded governance and public sector strengthening programs currently operating among central agencies and with Australian funded sector programs.

Overlaps with SGP take place in DoT, DoF, IRC, AGO and Immigration. In all of them (except DoF), the simple criterion for division of labour seems to be that agencies call on SGP for their policy and frontline performance needs, and call on EPSP to support corporate functions, .The focus on service delivery usually goes a-missing. This is not the most strategic use of EPSP's resources.

If the issue emphasis is adopted, this would encourage agencies to seek *EPSP's assistance on their frontline responsibilities to support service delivery*. As an example, in DoF the EPSP would focus primarily on the Provincial & District Financial Division which oversights the 19 Provincial Treasurers and on the Internal Audits & Compliance Division which oversights the use of DSIP funds, leaving SGP to support the other operations divisions..

Besides the allocation of advisory portfolios between the SGP and EPSP, there also is an issue with day to day coordination and collaboration between advisers of the two programs. No formal mechanism exists to ensure that Australian advisers, whatever the program they come under, regularly share information, and consult on overlaps between their respective operations. The terms of reference of the various advisers are not linked. And they do not have a common reporting point. While the SGP advisers are usually coordinated by their own SGP team leader, EPSP advisers report to their agency manager and the PMO. (Refer Annexes 4 and 5 for Case Studies on links with SGP and Twinning).

Links with the Twinning Program. Twinning operates on a parallel basis in DoT, DoF, DPM, AGO, and Immigration. Twinning appears to have much potential to help address capacity gaps contributing to service blockages. The identification of opportunities for twinning typically falls to the head of agency, in some cases advised by SGP team leaders given SGP's institutional links. There has been a case of useful collaboration between EPSP and Twinning in IRC (links with the ATO for audit training). And there is a proposal by DoF to use Twinning in collaboration with EPSP for deploying provincial / district finance officers to shire councils in Queensland to work at a local government level.

The three programs i.e. SGP, Twinning and EPSP, should bring a coordinated package of assistance to the table for the concerned agency. In practice, this has been difficult in the absence of a holistic and performance-based analysis of the agency. Also, there is no formal mechanism in place to encourage this coordination. Where it occurs, it is due to the initiative of individuals. The capacity development agreements processed by EPSP have made some effort in this direction. But the analysis has been superficial. And the description of the links between the three programs indicates a pro forma approach rather than substantive effort for greater integration and coherence.

Links with PLGP also remain nebulous though potential for greater collaboration is substantial. All the blockages identified in Box 1 above are of equal concern to PLGP. In fact, to ensure they are addressed, active collaboration between the two programs is essential.

Currently, collaboration between the two programs is almost non-existent mainly because EPSP remains focused on corporate competencies of the central agencies with inadequate and weak links to service delivery issues. Hence the need to actively link up with PLGP has not surfaced. (The exceptions are the HR Connect initiative and support for DoF in its strengthening of provincial competencies. These have been referred to in 2.2.1 above).

Down the road, GoPNG and AusAID should consider the integration of the EPSP and PLGP. This would allow the resulting AusAID program to work in alignment with the vertical governance structures in GoPNG stretching from the national level to the LLGs. This would make it easier to ensure effort at the LLG and district level is appropriately supported by related strengthening at the national level.

Links with Sector Programs. Line agencies (such as in Education, Health, Law & Justice and Transport) actively seek the support of central agencies in their service delivery work. In interviews with the Review Team these agencies sought assistance in the formulation of their budgets, help in linking budgets to outputs, and greater predictability in fund flows, both PIP as well as recurrent. This assistance from central agencies appears to be not generally forthcoming.

The Review Team did not see EPSP effort to reach out to the sector agencies and programs to understand where central agencies can help sector programs. This is understandable. EPSP is just starting up its third year of implementation. It needs to first develop closer coordination with its sister governance programs. Once this has been achieved, which hopefully should be sooner rather than later, it will need to reach out more proactively to the sector programs. This should also become easier if it adopts the issue focused approach.

2.2.4 Mainstreaming Gender and HIV

Genuine and conscious effort has been made in the diagnostics to collect gender related data and identify gender issues that need to be addressed in each participating agency. Much of this data will serve as baseline data. The program intends to undertake follow up studies in future to check on progress made.

In the Review Team's discussions with senior management of various agencies, the issue of gender equity in the organization was often raised, sometimes without any prompting by the Review Team. This is encouraging. The program appears to be having a positive influence in this regard.

In a number of agencies such as DoT, DPM and Immigration, gender and HIV policies are being developed or revised to ensure gender equality, gender-based violence and HIV are addressed in the work place. The EPSP is providing a gender and inclusion specialist to assist central agencies integrate gender equity and social inclusion into their core business. These policies are long overdue.

DPM has established an interdepartmental working committee that is reviewing the General Orders with the assistance of EPSP. This has provided an opportunity for the program to work with GoPNG, in developing the campaign called “GO 20” (General Order 20). This is PNG driven, out from DPM, providing guidelines on gender, equity and social inclusion, HIV/AIDS, sexual harassment and domestic violence in the workplace. Further work is anticipated in developing training modules on gender equity as part of the HR Capacity Enhancement Program. .

2.2.5 Adequacy of Progress

Summarizing the findings presented in this section, it would be fair to say that progress of EPSP towards meeting its stated goal of – *“more equitable, effective, and accessible services for men, women, and children of PNG”* and its subsidiary goal of *“addressing the needs of central agencies in their role as key enabling institutions supporting effective government in PNG, with a focus on delivery of services to the majority of the population”*¹³ has been less than satisfactory.

The wins to date (as described in Section 2.2.1 have been modest – in DPM with some progress on the staff establishment / payroll issue, and a small contribution through DOF in assisting a couple of provinces in revenue collection and financial management. But the blockages in service delivery, largely caused by central agencies, and described in Box 1, remain generally unaddressed. The EPSP’s fundamental role is to be a catalyst for the central agencies to re-focus on a key accountability of theirs viz support for service delivery. Other than in the two cases mentioned, there is no evidence that it has been able to do this to date.

2.3 Efficiencies

2.3.1 Modalities of Assistance

EPSP has a range of assistance modalities: diagnostic investigations and capacity development agreements, long and short term advisers, grants, training, and research. This range is a strength. It provides flexibility in addressing client agency needs and service delivery issues.

Diagnostics and Capacity Development Agreements

The basis of the capacity development agreement reached between EPSP and each participating agency is the mandatory and prior ‘diagnostic analysis’ in each. This is a laudatory practice which has much merit. EPSP’s capacity development support is made contingent on first clearly identifying agency needs via a rigorous diagnostic.

Regrettably, the diagnostics undertaken by the EPSP to date have been less than satisfactory. And given the centrality of their role in the program, their variable quality has compromised a substantive part of the program.

The intent of capacity development is to improve performance, in this case, central agency performance specifically related to service delivery. Hence, **the starting point of the diagnostics should have been the performance issues** that central agencies are encountering in regard to their contributions to service delivery. Some or all of the blockages identified in Box 1 would have immediately surfaced. If each was then subjected to a diagnostic, the capacity factors within the agency causing the performance issues would have been identified. These then would have become the focus of capacity

¹³ Economic and Public Sector Program – Design Document, May 2009, page 15.

strengthening in the expectation that if addressed, performance on the service delivery blockages would then improve

Instead of the above, EPSP has undertaken what in capacity development terminology is called 'descriptive assessments' – not diagnostics. They have described and analysed various facets of the organizations such as role and function, leadership, values, structure, systems skills, staffing and assessed whether these are appropriate and helpful. No clear link to specific performance gaps has been made.

The result has been a list of recommendations to strengthen various corporate aspects of each agency, but with no surety that such strengthening will improve performance - more specifically, performance related to service delivery.

Diagnostics were also contracted out as a 'report' to be done based on questionnaires and discussions with staff. However, good CD practice requires that the diagnostic process is best undertaken by management and staff themselves, though facilitated by a consultant. Management and staff are in the best position to know where their performance is failing, and the factors that are affecting performance. They do need however, a rigorous process and methodology to guide them through this analysis, and an objective observer who feeds back to them where they need to dig deeper in the performance analysis and the capacity analysis.

If in this process it was discovered that key performance information was not available, then the appropriate EPSP intervention should have been to persuade senior management to set up a performance framework that would provide this basic and essential information for more effective operations.

The **capacity development agreements of the EPSP are consequently not clear on what specific performance issues they are helping to address** in the agency. They describe the strengthening of various capacity facets of the agency; but how this links to improving agency performance, and specifically performance related to contributions to service delivery, is typically ignored

Advisers / Consultants

The need for advisers is based on the diagnostics. As suggested above, these have left much to be desired in terms of their rigour, strategic focus and methodology. The consequence is a less than optimal range of current advisers, with major questions about their portfolios, number, mix, and cost effectiveness. A serious re-look at the range of long and short term advisers being provided needs to be undertaken. The Review team was informed that this is underway by the PMO.

The program currently provides both long term and short term advisers. To date 26 long term and 12 short term advisers have been mobilized. Of the 26 long termers, five provide PMO support, ten operate in areas within or related to corporate and human resource management functions in various agencies, and six deal with corporate financial issues. Only three to four work in functions directly related to service delivery. Among the 12 short termers, none work on functions related to service delivery. (See Annex 4 for a complete Adviser List which was provided to the Review Team by the PMO).

The program is consciously moving to emphasize short term consultancies over long term advisers. In the view of the Review team, this is a difficult issue to pre-judge. Flexibility needs to be maintained in approaching this choice. In general, long term advisers should be avoided given the risk of dependency and use for 'substitution'. However, there could be occasions where they are appropriate. If they are deemed necessary, then the intermittent-visit format may be preferable to pre-empt the risk of dependency or substitution.

The centrality of rigorous diagnostics in establishing the basis for the number, specialization and type of advisers/consultants cannot be understated. This will become an issue once again for the program should it decide to proceed with the diagnostics of the issues / blockages discussed earlier in this report.

Advisers or consultants should be selected with a view to help address specific capacity gaps but which have an established and direct link to performance problems or issues. This assumes that the senior management recognizes the performance problem and is committed to its resolution. If this discipline is maintained, the adviser's or consultant's terms of reference should be issue / problem focused and results oriented, rather than a long list of activities. The onus should be on the adviser or consultant to work out an appropriate strategy with his / her counterpart on how to address the issue or problem.

As noted earlier, the shift to a more issues/problem focus under the EPSP will require a different set of advisor skills to those currently being provided. The current focus on agencies' corporate services functions in most respects requires advisory skills that are fairly generic and readily available in the market place. In contrast, an issues focus will require advisors with public policy and strategic management skills, system analysis skills, a knowledge of how governments function, and change management capabilities. Persons with these skills arguably will be much harder to identify and recruit, and will need to be recruited by people who themselves have a good understanding and grasp of the skills needed. As such, a greater involvement by AusAID (and possibly SGP TLs) in the advisor recruitment process would seem advisable. It is possible also that the Advisor Remuneration Framework could prove problematic in attracting the "right" skills for these tasks.

The PMO needs to recruit, urgently, a senior public sector adviser with strong and mature experience in public sector reform to help guide and facilitate the program's move from the current agency and corporate emphasis to a service delivery and issue focus. The next 18 months will be a critical period where the program prepares the way for its next phase which hopefully will be substantially service delivery focused. The PMO will need a senior adviser to guide this process, in consultation with AusAID.

Training.

The review team has the impression that much attention and effort is given to training activities. The review has not had the opportunity to assess in careful detail the whole range of training provided. However, in reviewing the 2011 Annual Report, workshops appear to figure as a major output for capacity development. We feel more caution needs to be adopted in using training as the easy option for capacity development. Issue and problem-focused training, on-job training and learning-by-doing would probably provide more effective and sustained learning, and organizational impact.

A fair degree of emphasis is given to the Walkabout Wantaim program (5 modules) which targets advisers and their counterparts, promotes cultural sensitivity on the part of the adviser and more effective collaboration between adviser and counterpart. The Review Team does not wish to enter into the merits or otherwise of this program except to say that adviser/counterpart collaboration could perhaps be more productively promoted through joint problem solving workshops applied to operational issues related to service delivery.¹⁴ As to adviser cultural sensitivity, this should be a routine part of the contractor's induction program for each adviser.

Grants

EPSP's grants facility is potentially a powerful mechanism to support problem resolution or organization change. A good example of grants is the one provided to DoF to support its assistance to provinces in

¹⁴ On the subject of counterparts, there would seem to be a strong case for the EPSP to be more proactive in negotiating with agencies the counterparts they assign to work with EPSP advisers. There is obviously no point in attempting to build agency capacity and expertise in a particular area if the counterparts assigned to work with an adviser have lost their motivation for the job, display high levels of absenteeism, or are otherwise incapable or unwilling to absorb the skills and knowledge that is being sought to be transferred.

revenue collection. This has a direct link to the objective of improving services in the provinces and districts via supplementing the provincial operations budget. .

On the other hand, the danger is that grants become simply an opportunity for agencies to access free goods. The grant to upgrade an office in DoT, the one to finance Department of Health auditors to attend a SOPAC conference in Sydney, and another to finance PNG Association of Professional Evaluators to attend a conference in Adelaide are questionable, and are examples where no clear link to service improvement is established to justify this expense.

EPSP has been engaging with provinces through the PLGP Program Director, PLGP/PPII Advisers and AusAID co-located officers on the application of the Grants Scheme to provinces. Notable grant applications from Southern Highlands and Milne Bay came through as a result of these engagements which clearly address service delivery issues.

Of the 28 applications received in the latest round of grant applications, only nine were considered compliant and of an adequate quality to be submitted to PMG for consideration. Of the 28, there were 11 provincial applications; only three (MBA & SHP) were deemed to meet the criteria and considered by PMG.

The view of the Review team is that ‘open rounds’ which call for grant applications is not the best way to use this facility. This encourages an input driven, free-goods-capture approach on the part of applying agencies. Rather, this facility should be used as part of a well-targeted package to address very specific capacity gaps affecting performance related to service delivery, ideally as a supplement to an agency’s own resources being applied to the issue. The ICCC has done exactly this in the grant that it has accessed from EPSP.

Research

The EPSP research program is just starting up. All of the initiatives on the table appear useful, and some are directly relevant to the recommended service delivery emphasis,

The PMO shared with the Review Team an overview of the issues being currently addressed – (i) research on the Effectiveness of Capacity Development in GoPNG going back to 2006, (ii) a Service Delivery Study, (iii) the Mainstreaming of Gender initiatives within central agencies, (iv) the ANU/NRI Budget and Tracking of Expenditures on Services, and (v) the Impact of Digital Technology on the four key service sectors.

Based on the information shared with the Review Team, it is only in a position to comment on the relevance of these issues to the goal of EPSP. The Team endorses this relevance, although it notes that there appear to be several initiatives currently in train to study and track budget expenditures, including one at the district level under the auspices of the CIMC, and work being done by the ADB. This begs a question of how well all the work in this area is being coordinated at present.

2.3.2 Monitoring and Evaluation

Monitoring of the program as currently designed is both difficult and burdensome. Because the program objectives are so broadly stated, it is difficult to establish meaningful indicators. Some examples of the meaningless indicators (from the point of view of EPSP’s goal) provided by the M & E Framework of the program are –

- “%of managers showing improved management practices” – We ask: which senior managers? What management practices? And how is this helping agency contributions to service delivery?
- “Reduction in Absenteeism?” We ask – in which parts of the agency? And what is the link with service delivery?

The fault is not of the M&E framework. It is the focus and design of the program. If the program is designed with concrete, problem-solving, result-oriented objectives, meaningful indicators for M&E would naturally emerge from this focus. Each targeted service blockage becomes a tangible performance gap to be monitored for improvement. Linked to it, the specifically identified capacity gaps in the contributing agencies become the contributory indicators that can and should be tracked.

If the issue focused approach is adopted, the M&E framework should be redesigned around two foci – the issue or blockage and the contributing capacity gap/s which have been shown to have a clear link to poor performance.

2.3.3 Program Management

The Program Management Group

Composition: The PMG comprises representation “at a senior officer level” from PM&NEC, DNPM, DPM, Treasury, Finance and DPLGA. Originally, the PMG was chaired by the DG – CACC Secretariat. More recently, the Chief Secretary has become the chair, while the Head of Aid, AusAID, has become a member.

The membership of the PMG could be considered somewhat contentious given its role. The role of the PMG includes, among other responsibilities -

- “ensuring high quality activity proposals are approved within the agreed capacity development approach..”
- “approving the allocation of program resources...” and
- “monitoring the effectiveness of the program...”¹⁵

However, PMG membership comprises agencies that are at the same time the participating agencies of the program. Hence, we could have a situation where agencies participate in decisions to approve their own capacity development proposals, approve their own resource allocations, and monitor their own progress.

In practice, members acknowledge their conflict of interest when issues / requests arise from their own agencies; and they desist from participating in related decisions. This practice is lauded; but the potential conflict of interest risk remains and needs to be guarded against.,

Coordination with SGP/Twinning: An issue raised by the Chief Secretary at his meeting with the Review Team is the need to integrate the governance and oversight bodies of EPSP, SGP and Twinning to ensure greater complementarity and integration of support. All three governance programs support a core of central agencies viz DoT, DoF, DPM (which has no SGP but does have Twinning), AGO, IRC, Immigration.

The Steering Committee of the SGP, which has similar functions to the PMG of EPSP, comprises PM&NEC, DNPM, Head of CACC Secretariat, AusAID and DFAT. As is evident, there is less potential for conflict of interest here since members of the SGP Steering Committee are not themselves a beneficiary of the program.

It is important to pursue the Chief Secretary’s concern about program coordination and ask in this connection – should EPSP adopt the same Steering Committee as SGP? There is merit in considering this, both from the point of view of better coordination between the two programs, as well as to avoid the above discussed potential conflict of interest. While PM&NEC and DNPM do access EPSP support, exception could possibly be made on the grounds that the Chief Secretary needs to chair such a joint committee, and DNPM needs to be involved given its responsibilities relating to the development budget and aid coordination.

¹⁵ EPSP’s Design Document, Page 34

Strategic Focus: A shift in emphasis from corporate function capacity building to resolving issues or blockages to service delivery poses some significant challenges for the way in which the EPSP is managed. The Review Team feels that the PMG, or possibly, the joint Steering Committee as discussed above, needs to provide stronger leadership on the focus of EPSP. It is the responsibility of the PMG to ensure the program is indeed focusing on its primary goal. It needs to be more engaged in identifying and debating service delivery blockages where central agencies have a role. It needs to cajole and persuade central agencies who have contributions to the same blockage in services to come together as a task group and work collaboratively.

It is unlikely that the PMG will be in a position to effectively perform this strategic role, if only for the fact that its members have extraordinarily high demands on their time. To the extent that they are in a position to provide strategic guidance to the EPSP, this is more likely to be in response to suggestions or ideas put to them rather than original thinking from within. The question then is who is best placed between the PMO and AusAID to help provide this input?

In the view of the Review Team, AusAID has or should have the relationships with central agencies needed for the task. It is also in a better position, relative to the program manager, to draw on the knowledge and understanding of its other relevant programs (SGP, PLGP, the Sectoral Programs) in assessing where reform priorities lie. AusAID therefore, needs to put in place a structure that will allow it to more effectively exploit these comparative advantages. Such a structure was in fact intended as part of the EPSP Design, namely: “An Economic and Public Sector Coordination Group will operate in PNG and comprise AusAID (both EPSP and SNS), SGP Team Leaders in economic and public sector agencies, DFAT and EPSP Program Office. ... in particular, SGP Team Leaders have a key role in helping to shape priorities and activities under the program.”¹⁶

Role of AusAID

AusAID is deeply committed to promoting public sector reform to help address service delivery problems and blockages. In pursuit of this objective, AusAID coordinates four major governance and public sector strengthening programs in GoPNG – EPSP, SGP, Twinning and PLGP. These cover the vertical institutional linkages from central agencies to provinces, districts and LLGs.

In addition, AusAID has active sector programs in the four key service sectors – health, education, law & justice and transport. Each of these programs has its own governance and capacity development components as an integral part of each program.

This is a huge investment in governance and capacity development in PNG. And gives rise to a number of questions – Is progress on improving governance and public sector effectiveness being made? Are these investments providing value for money? Are the program strategies and designs appropriate and problem focused? Do programs complement each other and is potential for synergies being adequately exploited?

Given AusAID’s active presence at the central, national and sub national levels, as well as in the service sectors, and given its established institutional relationships with the agencies concerned through its various programs, it appears incumbent on AusAID to leverage this influence to improve the direly needed GoPNG agency coordination. Delegating this responsibility to the various contractors of its individual programs has not worked and will not in future. The quality of strategic thinking and the required coordination between programs leaves much to be desired.

AusAID should therefore consider the establishment of the above referred to “*Economic and Public Sector Coordination Group*.”

¹⁶ EPSP Design Document , May 2009, Executive Summary p vii.

In addition, AusAID should also consider the appointment of a *senior public sector / governance advisory position* within the country office with responsibility to advise *across all its programs* on governance issues. The position should report to senior management of the country office. This cross program / sector responsibility is important to ensure the quality, rigour, focus and responsiveness of AusAID's own overarching governance strategy in PNG. This perspective and analysis cannot be provided by AusAID program managers or advisers located within sectors or programs. There is also need to subject every program to a quality check with regard to the proposed governance and capacity strengthening strategy being advocated, and how this links with other governance and capacity strengthening initiatives across the spectrum.

More effective internal coordination and communication between the various programs of AusAID would help. The sharing of information and the linking of program efforts by the managing contractors of the various AusAID programs must be made mandatory and actively guided by AusAID. This would bring increased coherence to AusAID's assistance, and greatly assist GoPNG address service delivery related blockages.

(Note on Sustainability: This Report has consciously not touched on the issue of sustainability. It is the view of the Review Team that until EPSP has established appropriate strategic settings to better achieve its mandated results, there is little point to discussing sustainability. Sustainability becomes relevant when strategies are right and appropriate results are indeed being achieved. The sustainability of these results then becomes pertinent).

3. Conclusions and Recommendations

3.1 Conclusions

The governance and public sector strengthening issues in PNG are complex and challenging. In general, the governance framework does not appear responsive to the overarching issue of improving services and reducing poverty. It is ironic that while PNG is increasingly awash with monies coming in from the big LNG and mining projects, its services, poverty levels and human development index keep slipping.

A key contributor is the inability of government to perform basic functions such as delivering essential services. A number of initiatives have been attempted but with little if any impact. Budget allocations to education, health and transport have increased. Function grants to the provinces have been compulsorily applied to priority activities in the four service sectors – health, education, law & justice and transport. Successive governments have arranged for direct funding to the districts, through Open Members and bypassing the national/provincial bureaucracy, to support the District Service Improvement Program (DSIP). AusAID has been supporting the EPSP as well as the SNS/PLGP with a focus on strengthening capacities of provinces, districts and LLGs to better deliver services. However, service indicators keep deteriorating.

It is largely apparent that the EPSP, in its current design, focus and operation, is having at best a marginal impact on improving service delivery. Given the approach it has adopted in its diagnostics, it has been drawn into supporting, by and large, corporate functions within its client central agencies. This focus does little to help it become an active player in catalysing a strengthened GoPNG focus on service delivery issues. If it does not change direction, there is a risk that its resources will increasingly be drawn to the few agencies who are most adept in framing their requests for assistance, rather than to those most directly relevant to service delivery.

EPSP has 18 months to run and the question is – does it continue in current mode or use the remaining time to explore options for generating greater impact on its goal?

The following are some lessons that have emerged from this Review that could be used by EPSP, in the remaining 18 months, to prepare the ground for a more effective national approach to improving services.

- Top-down initiatives, aimed at building generic public sector skills and competencies in central agencies, do not seem to work in improving service delivery. Their trickledown effect takes too long, and becomes too diluted in the process, to have tangible and sustained impact.
- There are no incentives for agencies, be they national or provincial, to perform and deliver. No rigorous performance management system exists. Performance reporting is not taken seriously. Poor performance does not seem to have any consequences.
- While politicians are rightly agitated about the state of service delivery (and have been for a while now), the public sector bureaucracy continues to be largely indifferent to the seriousness and urgency of the matter. They do give lip service to it. But there is no evidence of any concerted effort to address the blockages that contribute to it.
- Responsibilities for each key service are widely spread through a fairly complex bureaucracy from national and central agencies to ground level LLGs. Getting all these agencies to fulfil their respective roles, in synchronized fashion, seems to have become an insurmountable challenge. Joint problem solving, across agency boundaries, is virtually non-existent.
- Perhaps the solution may be to start bottom up. To choose a select list of key service indicators such as those identified as the minimum priority activities (MPAs), and literally build a 'national initiative' around each, drawing in each contributing agency.
- To succeed, these initiatives will require – (i) rigorous diagnostics to identify bottle necks up the ladder right to central agencies, (ii) clear leadership per initiative by a single agency, and clear allocated responsibilities to supporting agencies, (iii) a well-publicized performance management system that tracks contributions and performance of each agency as per its responsibilities, and reports these to NEC and Parliament, (iv) public commitment by the Prime Minister and the Chief Secretary on the priority of these national initiatives and their national significance, and (v) resources to support this very focused approach.

The starting point for the above is getting the Prime Minister and the Chief Secretary to commit to the concept, and back it with the power of their offices. It would also mean, in particular, requiring the heads of central agencies and provincial administrators to focus their attention on these initiatives, and support the institution of the proposed rigorous performance management system for each key service delivery issue, and for each agency involved.

It would become the business of EPSP to obtain the Chief Secretary's support initially. It needs to present him with a cohesive, well thought out proposal.

The above summarises the Review's views on where the EPSP is currently in terms of its strategic direction and impact, and where it should be going. The other major issue that has emerged from the Review is the need for EPSP and all AusAID-supported governance and public sector programs to link more effectively. There is currently no clear narrative that runs through these programs. There are no strong coordination arrangements. And there is no provision for exchanging views on progress or problems, debating these, and forging consensus on ways forward. In particular, EPSP needs to address, on an urgent basis, its links with SGP and Twinning which operate in the same agencies as it does. The Review provides some specific recommendations below in this regard.

3.2 Recommendations

1. The EPSP has about 18 months to go till the 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.

2. It 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.
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:
 - (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 with AusAIDs' sector programs and possibly other donors' as well will be necessary in arriving at the shortlist.
 - (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.
 - (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.
 - (iv) The program should develop and present to the Chief Secretary (as Chair of CACC) 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 the NEC.
 - (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. 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 (eg IRC through revenue collection; ICCG in regard to market regulation).
 - (vi) EPSP's training assistance, grants, and monitoring and evaluation system must move focus to service delivery issues and blockages.
 - (vii) To assist in all of the above, EPSP needs to *urgently appoint a senior public sector adviser* who would be capable of facilitating the processes behind all of the above actions.
4. The ongoing emphasis on *mainstreaming gender and social inclusion* into agency operations must continue.
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 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.
6. At the operational level, AusAID and the PMO must ensure *closer integration of EPSP with SGP and the twinning program* in agencies where all three programs operate. This would include – (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.

7. AusAID and the PMO must more actively pursue *deeper links between EPSP on the one hand and the PLGP and the sector programs on the other*, with a focus on the service delivery blockages contributed by central agencies.
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. This Independent Review Report can and should be used as a trigger to engage on this issue.
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 senior management within the AusAID country office.

The next 18 months will be a significant period for the EPSP. If the program's management is indeed receptive to the feedback and recommendations of this Review Report, they will use this period as an opportunity to adjust strategic focus, engage more deeply with central agency leadership on service delivery issues and related agency performance, and integrate the program more effectively with SGP and the Twinning initiative.

It is fortunate that there is currently in place a government that is receptive to reform effort, and a Chief Secretary who is results oriented. There also appears renewed urgency and commitment within AusAID to strengthen the service delivery focus and the results-orientation of its programs. All of the above provides valuable opportunity for the program to move forward with adjustments to its settings and focus.

4. Acknowledgements

The review team wishes to specifically acknowledge the support provided by the AusAID team in Canberra, the AusAID Port Moresby office, the PMO and those consulted for their time, effort and inputs into the Review exercise. The Review would of course not have been possible without their generous and valuable support.

Annexes

- Annex 1 - Terms of Reference: Independent Review of the PNG-Australia Economic and Public Sector Program (EPSP)
- Annex 2 – Documents Reviewed
- Annex 3 - List of Persons and Agencies Consulted by the EPSP Review Team
- Annex 4 – Support for Departments of Treasury and Finance
- Annex 5 – Support for Department of Personnel Management

Annex 1 - Terms of Reference: Independent Review of the PNG-Australia Economic and Public Sector Program (EPSP)

1. INTRODUCTION

These Terms of Reference (TORs) are for an independent review of the PNG-Australia Economic and Public Sector Program (EPSP). 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).

This review will build on analytical work currently underway on governance issues in PNG, and will complement recent and current reviews in AusAID's Governance Program in PNG (including SGP, Strongim Pipol Strongim Nesen and the Electoral Support Program). Together, these reports will inform a strategic framework and future designs in the governance sector in PNG.

This review will be the first biennial Program Effectiveness Review (PER) required under the Program Design Document (PDD). It should be a mix of formative and summative review of progress toward outcomes. It also provides an opportunity to test key assumptions in the program design and to assess the most effective methods for achieving positive, sustainable change.

2. BACKGROUND

The PNG-Australia Economic and Public Sector Program (EPSP) aims to assist key central agencies in their efforts to be more effective and better support line agencies and sub national governments to deliver effective and equitable services across PNG¹⁷. EPSP is led by and supports PNG's policy and program priorities. It maximises efforts to work through and strengthen GoPNG systems and seeks to increase value for money in aid delivery by using a wide range of aid modalities such as targeted training, twinning arrangements, grants, research and advisory support.

EPSP supports GoPNG agency assessments known as capacity diagnostics that assist GoPNG agencies to self-identify priorities, problems and initiatives to improve their capacity to deliver services. Following the diagnostics, PNG agencies then enter into a capacity development agreement with EPSP, which outlines the basis of EPSP support to the relevant GoPNG agencies.

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 hopes to achieve 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 will be used as indicators to track the program's implementation.

¹⁷ The delivery of effective and equitable services across PNG will help Papua New Guineans overcome poverty (which is the fundamental purpose of the Australian aid program).

Economic and Public Sector Program (EPSP)	
Timeframe:	1 June 2010 – 31 March 2014
Funding:	\$100 million
Objectives:	<p>EPSP aims to contribute to five high-level objectives:</p> <ol style="list-style-type: none"> 1. A more skilled and effective public sector workforce. 2. Improved use and management of public financial resources. 3. Government is more informed, transparent and accountable. 4. Policy and regulatory settings are more supportive of sustainable broad-based growth. 5. Effective and efficient Whole-of-Government service delivery systems.
Outcomes:	<p>The end-of-program outcomes of EPSP are:</p> <ol style="list-style-type: none"> 1.1 Leadership and management of the public service is improved. 1.2 Men and women in the public service are more capable and motivated. 1.3 Stronger, equitable human resource policies are implemented. 2.1 Budget preparation is improved. 2.2 Budget allocations and execution increasingly support service delivery for men and women. 2.3 Public financial management controls are stronger. 3.1 Information flows within government are more timely and efficient, and policy is increasingly evidence-based. 3.2 External scrutiny and audit systems are more effective. 3.3 There is greater dissemination of information on budgets and services to men and women. 4.1 Sound and sustainable macroeconomic policies are implemented. 4.2 Regulatory environment for private sector activity is more efficient and transparent. 4.3 Public institutions in the economic sector operate more effectively, transparently and equitably. 5.1 Whole-of-government public financial management systems improved. 5.2 National, provincial and district plan align with Vision 2050, DSP and MTDP. 5.3 National, provincial and district organisation structures fully staffed to support service delivery.
Management arrangement:	<p>The program consists of a mix of approaches with the bulk of the program managed by Coffey International under a \$76.5 million commercial contract. The remaining funding is available for small activities, mostly direct funding arrangements with central agencies, including the PNG Auditor General's Office and Department of Finance.</p> <p>EPSP facilitates high level PNG coordination and management of resources supporting economic and public sector development by working directly through the</p>

	<p>Program Management Group (PMG) to the Central Agencies Coordinating Committee (CACC). The PMG comprises senior level representatives from key central agencies including Departments of Prime Minister and National Executive Council, Personnel Management, National Planning and Monitoring, Treasury, Finance, as well as AusAID and the EPSP Program Director. The PMG provides oversight of program implementation ensuring the program is implemented, and develops the annual Strategic Framework for the program, prioritising and coordinating program resources in line with GoPNG and AusAID priorities.</p>
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1. KEY ISSUES

The shift in AusAID program focus in 2010 following the Development Cooperation Treaty Review and the subsequent focus on service delivery and four key sectors in PNG has provided an opportunity for EPSP to focus on systemic issues that are blocking service delivery. These problems have multiple causes and require a number of stakeholders to be engaged to tackle the problem. Systemic problems involving Whole-of-Government (WoG) stakeholders impact directly on services to the community, over the last decade many of the systemic constraints and bottlenecks have been well identified and documented.

As a nationally focussed governance program, EPSP has a role to support the GoPNG to address these problems, particularly in the light of the re-focused AusAID support for service delivery. However, as the problems are WoG, EPSP will need to coordinate its support with other government and development partner programs and organisations. This includes better linkages with Australian WoG programs, in particular the Strongim Gavman Program and the Australia-PNG Twinning Initiative.

When the PNG-Australia EPSP Twinning Initiative Phase II commenced in July 2010 it was envisaged that implementation would be increasingly guided by EPSP policy, and that the Twinning Initiative would integrate with EPSP by mid-2011. It was anticipated that Twinning would become one of the program activity options offered under the Capacity Development Agreements. The integration process is not yet complete and this review provides an opportunity to consider Twinning's contribution to EPSP objectives and what the risks may be in pursuing full integration in a future phase of the program.

2. SCOPE OF THE REVIEW

The key questions for this review are:

Relevance

1. Are the objectives relevant to the context/needs in the public sector, in particular its ability to efficiently and effectively deliver services?
 - If not, what changes need to be made to the initiative or activities to ensure continued relevance (where considered necessary, options to scale up or scale down support – in aggregate and/or across GoPNG agencies – should be canvassed)?
 - Has the program been able to adapt to a 'shifting' political economy? If so, how has this been done? For example what are the incentives for the public service and public servants and what, if anything, can be done to influence this?
 - Is the program relevant to Australia's development focus in PNG, how can EPSP better coordinate support across the PNG Public Sector to ensure more effective and equitable service delivery (and ultimately, to help Papua New

	<p>Guineans overcome poverty) .</p> <ul style="list-style-type: none"> - Does the program have a focus on improved service delivery in PNG's poorest districts and regions?
Effectiveness	<ol style="list-style-type: none"> 1. Which components of EPSP are demonstrating the most success (in terms of progress towards achieving end-of-program outcomes)? <ul style="list-style-type: none"> - Which components are having less success? What changes could be made, if any, to improve the likelihood of success? - What lessons can be drawn from this within EPSP and more broadly for AusAID's Governance Program in PNG? - What are the risks of full integration of Twinning with EPSP objectives? 2. What are the risks to achieving outcomes? <ul style="list-style-type: none"> - Have these risks been identified, documented and managed appropriately? 3. To what extent has the activity contributed to achievement of the higher-level objectives of: <ul style="list-style-type: none"> - a more skilled and effective public sector workforce; - improved use and management of public financial resources (from both a budgetary policy and PFM systems perspective); - a more informed, transparent and accountable government; - policy and regulatory settings more supportive of sustainable broad-based growth; and - effective and efficient Whole-of-Government (WoG) service delivery systems. 4. How effective is EPSP's interaction with Australian WoG programs (specifically SGP & Twinning) at an agency level? <ul style="list-style-type: none"> - Are the comparative advantages of each program clear and utilised? - Are there opportunities to better harmonise Twinning and SGP with EPSP? 5. Is the broader monitoring and evaluation (M&E) approach for EPSP appropriate and effective in monitoring activity and program level results? What would enhance the M&E arrangements? Make suggestions to more effectively link EPSP M&E with country program and AusAID results frameworks. 6. Is EPSP effectively promoting and mainstreaming gender equality through its activities.
Sustainability	<ol style="list-style-type: none"> 1. Given EPSP's current approach, are there frameworks in place to allow GoPNG to lead and own reforms in the public sector? <ul style="list-style-type: none"> - What could be done during the current phase of EPSP to increase the likelihood of sustainability? - What are the key lessons on sustainability for any future investments in the governance sector?

The review will be guided by the DAC criteria of relevance, effectiveness, efficiency, impact and sustainability and AusAID's additional criteria of gender equality, monitoring and evaluation and analysis and learning. If during the course of the review, the review team identifies any unintended consequences of EPSP (positive or negative) these issues should also be documented and assessed.

The review should also include up to four case studies of sectors in which EPSP, Twinning and SGP are active. These could include audit, finance, treasury, taxation, public financial management and customs and border protection. The case studies will contribute to an assessment of interaction of Australian WoG programs (question 4, above). In particular, they should consider whether the programs are providing complementary support, whether they are communicating effectively, and what differentiates the contribution of each program.

3. REVIEW METHOD

The aim of this review is to generate learning and analysis for AusAID, GoPNG and development partners. While the review will be led by an independent team leader, there will be opportunity for PNG partners, AusAID and other stakeholders to participate in the review.

The team leader will draft a review plan by 10 September. The plan will expand on the review questions, describe the methodologies to be used and provide an indicative report structure. The review will be undertaken according to the approved plan.

The review should include a document review, field visits and stakeholder consultations at a minimum. A non-exhaustive list of reference documents is provided at [Annex A](#).

4. COMPOSITION OF THE INDEPENDENT MONITORING GROUP

The Independent Monitoring Group (IMG) will consist of:

- a. An independent Team Leader (responsible for finalising the written reports) with strong expertise in monitoring and evaluation, extensive experience in Papua New Guinea and a thorough understanding of Australia's aid program.
- b. A PNG public sector Specialist (skills should complement the team leader's skills).
- c. An economic governance / public financial management specialist (skills should complement the team leader's skills).
- d. AusAID Canberra representative(s) to assist the team as required.
- e.

Skill sets required by the team:

- strong background and experience in evaluation methods and processes, including participatory evaluation, previous proven skills and experience in conducting review and performance evaluation, and demonstrated ability to draw on international best practice to inform the mission;
- demonstrated analytical skills, an ability to gather and interpret data and information and write constructive, informative and timely reports;
- sound knowledge and experience of the governance sector in PNG;
- working knowledge and familiarity of issues such as decentralisation, public financial system, democratic governance, gender equity and partnerships;
- pragmatic and forward-looking perspective in terms of looking for lessons and implications to inform future policy and programming;
- experience working in PNG and extensive knowledge of PNG's social and political context;
- sound knowledge of AusAID policies and processes; and
- excellent interpersonal and communication skills, including a proven ability to liaise and communicate effectively with communities from diverse backgrounds.

5. REPORTING ROLES AND RESPONSIBILITIES OF THE TEAM

The team leader will:

- a. plan, guide and develop the overall approach and methodology for the review, in consultation with AusAID;
- b. be responsible for managing and directing the review's activities, representing the review team and leading consultations with government officials and other donor agencies;
- c. be responsible for managing, compiling and editing inputs from other team members to ensure the quality of reporting outputs;
- d. be responsible for producing an aide memoire, synthesising review material into a clear draft review report and a final review report; and
- e. represent the team in peer reviews, if required.

Team members will:

- a. work under the overall direction of the Team Leader;
- b. provide advice, relevant documentation from the GoPNG and AusAID, and an understanding of GoPNG and AusAID processes; and
- c. contribute to the required dialogue, analysis and writing of the report, as directed by the team leader.

6. KEY OUTPUTS / MILESTONES

The team leader shall provide the following reports:

- (a) *Review Plan / Draft Methodology* - for agreement with AusAID, submitted by 10 September. This plan will outline the scope and methodology of the review, and preliminary findings from the document review.
- (b) *Review Mission Aide Memoire* - to be presented to AusAID Post, GoPNG and other stakeholders at the completion of the in-country mission. The format for the Aide Memoire will follow AusAID's template (to be provided) and will be no more than 3 pages. Feedback on the aide memoire will inform the draft report.
- (c) *Draft Report* – to be provided to the activity manager, AusAID Port Moresby, within 10 working days of completion of the field study to PNG. Feedback from AusAID and other stakeholders will be provided within 2 weeks of receiving the draft report.
- (d) *Final Report* - final document within 10 working days of receiving comments on the draft report. The report will be no more than 20 pages (plus annexes, case studies and a stand-alone executive summary). A clear analysis of the initiative's progress, key lessons and recommendations should be clearly documented in the report.

7. TIMING & DURATION

The independent review will commence no later than 3 September 2012 and be completed by 2 November 2012. The timing and duration for the scope of services is up to 39 input days (per consultant) as per the table below. Final dates will be negotiated and stated in contracts.

TASK / OUTPUT	DESCRIPTION	MAX. INPUT DAYS	INDICATIVE TIMING (2012)
Document review	Establish understanding of programs and identify information gaps which need to be collected during the field mission. Key documents will be provided by AusAID.	10	3-16 Sep
Review Plan	The team leader shall develop a review methodology by 10 September, for approval by AusAID.	Included in above	
Preliminary briefing	The team leader may be required to attend a briefing (via teleconference) with AusAID to discuss the objective, plans and expectations.	Included in above	
Review mission	Consultations in PNG – key stakeholder meetings.	12	18-29 Sep
Aide Memoire	An aide memoire shall be presented to AusAID and GoPNG on the last day of the in-country mission.	Included in above	28 Sep
Draft Report	The team shall prepare and submit a draft independent review report in electronic format within two weeks of the aide memoire.	10	1-12 Oct
Stakeholder Review	AusAID will have 2 weeks to consolidate comments on the report		15-26 Oct
Final Report	A revised final review report shall be submitted within 10 working days of receiving comments and peer review feedback on the draft report.	5	29 Oct – 2 Nov
Travel days	Return international travel from home base to PNG.	2	17-30 Sep
TOTAL		39	

Annex 2 – Documents Reviewed

The list of documents reviewed includes (but is not confined to):

1. *GoA and GoPNG Documents:*

a. Policy documents

- Partnership for Development (including relevant schedules)
<<http://www.aisaid.gov.au/countries/pacific/partnership/Pages/png.aspx>>
- An Effective Aid Program for Australia; Making a real difference – Delivering real results
- Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16 <<http://www.aisaid.gov.au/makediff/pages/aid-policy.aspx>>
- Final Report of the Review of PM & NEC Act 2002 relating to CACC and the Office of Chief Secretary. Bai Brown, Melegepa James, (2009)
- Gavamani Sivarai (2012) More Reforms for the Public Service. 31 August 2012
- The National (2012) State of the Nation Address By The Prime Minister Hon Peter O'Neill (MG MP) 4 September 2012
- Corporate Plans of DPM&NEC, DoT, DoF, DNPM, DPM, AGO, IRC.
- Australian Government Aid Program (2011) Strengthening PNG's Public Sector, April–June 2011 Edition.

b. Reviews

- DCT Review <<http://www.aisaid.gov.au/publications/documents/pngaustralianaidreview.pdf>>
- Governance Analysis Report (August 2012) (to be finalised)
- Strongim Gavman Program Mid Term Review Report (April 2012)
- AusAID Quality at Implementation Report for PNG–Australia EPSG Twinning Initiative Phase II (2010)
- Papua New Guinea–Australia Economic & Public Sector Governance Twinning Initiative: Phase 1 – Independent Completion Report
- Papua New Guinea–Australia Economic & Public Sector Governance Twinning Initiative: Phase 11 Management Guidelines.

2. *Program documentation:*

a. Design

- Papua New Guinea- Australia Economic and Public Sector Program Design Document (2008)
- Economic and Public Sector Program Strategic Review, November 2011
- EPSP Annual Strategic Framework (2010, 2011, 2012)
- EPSP Monitoring and Evaluation Framework

b. Implementation / monitoring reports

- EPSP Annual Program Reports (2010,2011)
- EPSP Quarterly Reports
- EPSP Capacity Diagnostic Reports
- Capacity Development Agreements
- Incentive Based Grant Agreements
- Guidelines for EPSP Grants Scheme.

c. Program Management Mechanisms

- Minutes from Program Management Group meetings

3. *AusAID documents:*

- a. Guidelines and templates
 - Guideline: Manage the Independent Evaluation of an Aid Activity
 - Template: Aide Memoire
 - Template: ICR
- b. Annual Program Performance Reports (2008-2010)
- c. QAIs
- d. Other reviews
 - Aid Effectiveness Review and Government's response <<http://www.ausaid.gov.au/HotTopics/Pages/Display.aspx?QID=518>>
- e. Other documents
 - Millennium Development Goals <<http://www.un.org/millenniumgoals/>>
 - Paris Declaration and Accra Agenda for Action< <http://www.oecd.org/dac/aideffectiveness/parisdeclarationandaccraagendaforactionfullrelateddocumentation.htm>>
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Annex 3 - List of Persons and Agencies Consulted by the EPSP Review Team

Manasupe Zurenuoc	Chief Secretary to Government	PM & NEC
Arai Pula	A/Executive Director Strategic Policy and Co-ordination	PM & NEC
Luke Freeman	A/Director, HRM	PM & NEC
Michael Nunulrea	A/Executive Director Corporate Services	PM & NEC
Alfred Wapiri	Acting CACC Director	PM & NEC
Glen Hurley	Adviser, Strategic Financial Planning & Management	PM & NEC
Steven Gibson	Secretary	DOF
Mike Ford	Senior Strategic Advisor	DOF
Josephine Dini	Cash Management & Expenditure Control	DOF
Joe Sapa	FAS Corporate Services	DOF
Subhasis Sen	Accounting & Compliance Advisor	DOF
Eddie Galele	Project Manager, FMIP	DOF
Kevin Sammuel	AS: Audit	DOF
John Kali	Secretary	DPM
Rava Verenagi	Deputy Secretary, Policy	DPM
Ravu Vagi	Deputy Secretary, Operations	DPM
Angori Wewerang	Secretariat Director PSWDP	DPM
Stephen Fuller	HRMIS Advisor	DPM
Ila Vele	Manager, HR System	DPM
Eovo Lavai	A/Director HR Advisory Services	DPM
Shane Mulligan	Lease Management Consultant	DPM
Anthony Yaueib	Deputy Secretary, Economic and Fiscal Policy	DOT
Dr. Nama Polum	FAS Corporate Services	DOT
Andrew Oaeke	A/FAS Economic Policy Division	DOT
Daniel Featherstone	Advisor Budgets	DOT

Ian Nicholls	Advisor, Structural Policy & Investment Division	DOT
Ruth George	A/FAS Debt Management	DOT
Wendy Isu	Executive Officer	DOT
Paul Flanagan	Senior Advisor, SGP Team Leader	DOT
Munare Uyassi	Secretary	DPLGA
Dickson Guina	Deputy Secretary	DPLGA
Elva Lionel	Deputy Secretary Policy	DOH
Peter Eric	FAS Finance & Accounting	DOH
Andrew Keith	Advisor, Budget & Finance	DOH
Dr. Musave Sinebare	Secretary	DOE
Luke Taita	Deputy Secretary Policy	DOE
Damien Rapese	Deputy Secretary, Teaching & Education Standard	DOE
Michael Tapo	FAS Teaching & Learning	DOE
John Joseph	FAS Policy & Planning	DOE
Betty Palaso	Commissioner General	Internal Revenue Commission
Pauline Bre	Deputy Commissioner Services Wing	Internal Revenue Commission
Shawn Gale	Advisor, Compliance	Internal Revenue Commission
Julieanne Hammill	Advisor, Internal Audit & Integrity	Internal Revenue Commission
Sai Veigo	HR Advisor	Internal Revenue Commission
Chris Henry	Advisor, ICT	Internal Revenue Commission
Nick Crosling	Advisor, Training	Internal Revenue Commission
Trevor Schloss	Senior Advisor, SGP Team Leader	Internal Revenue Commission
Tim Fraser	Advisor Policy	Internal Revenue Commission
Julianna Kubak	Deputy Secretary, Development Planning & Monitoring	Depart. of National Planning & Monitoring
Loia Vaira	a/Assistant Secretary	FAD, DNPM
Reichert Thanda	a/Assistant Secretary	FAD, DNPM
Siboney Reuben	a/Assistant Secretary	FAD, DNPM
Phillip Nauga	Auditor General	Auditor General's Office

Joseph Wak	A/Deputy Auditor General	Auditor General's Office
Michael Kupo	Executive Officer	Auditor General's Office
Wayne Jones	Senior Advisor, SGP Team Leader	Auditor General's Office
Murray Edwards	Senior Adviser, SGP Team Leader	PNG Customs Service
David Whitehead	Senior Advisor, SGP Team Leader	Immigration & Citizenship
Erika Mieser	HR Consultant	Immigration & Citizenship
Stuart Schaefer	Head of Aid	AusAID Port Moresby
Michelle Lowe	Chief of Operations	AusAID Port Moresby
Robert Brink	Counsellor Governance	AusAID Port Moresby
David Osborne	Program Economist	AusAID Port Moresby
Andrew Elborn	First Secretary	EPSP Unit, AusAID Port Moresby
Angela Dingli	Second Secretary	EPSP Unit, AusAID Port Moresby
Margaret George	Assistant Program Manager	EPSP Unit, AusAID Port Moresby
Steven Ilave	Program Manager	EPSP Unit, AusAID Port Moresby
Florence Rahiria	Program Manager	EPSP Unit, AusAID Port Moresby
Steve Hogg	Principal Director, Pacific	AusAID Canberra
Claire Drake	Director	PNG Government Programs, Law and Justice, AusAID Canberra
Ella Kinnear	Program Manager	PNG Government Programs, Law and Justice, AusAID Canberra
James Marshall	Program Officer	PNG Government Programs, Law and Justice, AusAID Canberra
Gabriella Tauni	Policy Officer	PNG Government Programs, Law and Justice, AusAID Canberra
Robert Harden	Senior Economist	AusAID Canberra
Stephen Hills	Program Manager	PNG & Solomon Islands Branch, AusAID Canberra
Cathy Amos	Deputy Program Director	SNS AusAID Port Moresby
Simeon Namunu	Program Manager: DPLGA	SNS AusAID Port Moresby
Josephine Baig	Program Manager	SNS AusAID Port Moresby
Paul Bridgeman	Development Specialist	SNS AusAID Port Moresby
Simon Kaldy	Second Secretary	Education, AusAID Port Moresby
Tamara Green	Second Secretary	Education, AusAID Port Moresby

Judith Ugava	Program Director	SNS, AusAID
Moale Vagikapi	Co-Located Officer	DNPM (AusAID Port Moresby)
Avi Hubert	Program Manager	Health, AusAID Port Moresby
Catherine Gill	Program Director: Law and Justice	AusAID Port Moresby
Maev Lillywhite	Program Manager: Law and Justice	AusAID Port Moresby
Albert Sambre	Program Manager: Law and Justice	AusAID Port Moresby
Gabrielle Crick	Senior Advisor, SGP Team Leader Transport Security Policy	Depart. of Transport
Peter White	Advisor, Transport Security Policy	Depart. of Transport
Geoff Elvy	Program Director	PMO
Sonya Casey	Manager, Capacity Development	PMO
Lucy Dwyer	HR Manager	PMO
Aaron Rosada	Operations Manager	PMO
Richard Guy	M & E Specialist	PMO
Samson Vartovo	Director, GoPNG Liaison	PMO
Simon Ellis	Training and Learning Specialist	PMO
Wallis Yakam	Executive Officer	CIMC
Ume Wainette	Program Manager, Family & Sexual Violence	CIMC
Mark Chambers	Advisor	Central Province
Rose Isana	Advisor	Central Province
Jane Kesno	Gender & Inclusion Specialist	PMO
Rosemary Green	Country Co-ordinator PNG	Coffey – Australia
Allan Bird	Diagnostic Consultant	EPSP Consultant

Annex 4 - EPSP Adviser Positions Listing as at 31 August 2012¹⁸

Dept / Agency	Adviser Position	Contract Type	Contract Start Date	Contract End Date
PMO	Operations Manager	Long Term	07 Nov '10	05 Nov '12
PMO	M & E Specialist	Long Term	31 May '10	31 March '14
PMO	HR Manager	Long Term	07 Jun '12	07 June '13
PMO	Program Director	Long Term	16 Nov '11	15 Nov '12
PMO	Manager – Capacity Development	Long Term	19 Mar '12	19 March '14
Finance	Accounting & Compliance Adviser	Long Term	12 Jun '12	11 June '13
IRC	Curriculum Dev't & Training Adviser	Long Term	21 May '12	22 March '14
DLIR	Change Mgt & HR Adviser	Long Term	12 Jun '12	13 Dec '13
UPNG	HR Mgt Adviser	Long Term	13 Jul '11	14 June '13
DLIR	Capacity Building Adviser	Long Term	01 Sep '11	19 May '13
IRC	HR Consultant	Long Term	19 May '12	19 May '13
IRC	Governance & Change Management Adviser	Long Term	31 May '12	29 Jul '13
IRC	HRMIS Adviser	Long Term	24 Jun '12	24 Jun '13
Finance	Financial Compliance & Investigations Adviser	Long Term	15 Mar '09	15 Sept '12
IRC	Integrity & Investigations Adviser	Long Term	23 Aug '12	23 Aug '13
UPNG	Financial Mgt Adviser	Long Term	30 Jun '11	29 Jun '13
PM&NEC	Legal Policy Adviser	Long Term	09 Jun '12	05 Jan '13
PM&NEC	Finance Planning & Management Adviser	Long Term	21 Sep '11	20 Nov '13
DPM	Project Mgt Adviser (HR Connect)	Long Term	07 May '12	31 Mar '14
PAC	Legal Counsel Adviser	Long Term	31 May '11	29 Nov '12
DCFD	Strategic Mgt Adviser	Long Term	15 Nov '12	14 Nov '12
DPM	Public Service HR Adviser	Long Term	14 Mar '10	22 Sep '12
DPM	Corporate Implementation Adviser	Long Term	22 Feb '12	21 Feb '14
PAC	Lawyer	Long Term	04 Jan '12	03 Jan '14
PSWDP	Chief Financial Officer	Long Term	01 Jan '12	30 Nov '12
PSWDP	Secretariat Director	Long Term	01 Jan '12	31 Dec '12
PMO	Information & Communication Specialist	Short Term	1 Apr '12	13 Mar '14
PMO	Learning & Dev't Specialist	Short Term	21 Mar '12	28 Mar '14

¹⁸ This list is extracted, in exactly the same listed order, from the list provided by the EPSP PMO to the Review Team on 27 September 2012

DPM	Lease Management Consultant	Short Term	14 Aug '12	13 Feb '13
Immigration	Business Planning Consultant	Short Term	10 Aug '12	23 Mar '13
Immigration	Financial Management Consultant	Short Term	06 Aug '12	19 Jan '13
DLIR	Strategic & Corporate Planning Consultant	Short Term	1 Apr '12	15 Dec '12
Finance	HR Development Consultant	Short Term	25 Jun '12	31 Dec '12
Immigration	HR Consultant	Short Term	04 Jul '12	31 Dec '12
DLIR	IT & Communications Consultant	Short Term	20 Jul '12	31 Dec '12
IRC	IT & Communications Consultant	Short Term	20 Jul '12	31 Dec '12
PMO	Research Consultant	Short Term	16 Jul '12	31 Mar '14
Mobilising				
Whole of Government	Gender & Social Inclusion Specialist	Short Term	TBA	TBA
DPM	Industrial Relations Employment Consultant	Long Term	TBA	TBA
DLIR	Financial Management Specialist	Short Term	TBA	TBA

Annex 5 – Case Study: Support for Departments of Treasury and Finance

History of Engagement

The Department of Treasury (DOT) has been a recipient of substantial and continuous technical advisory assistance since its establishment as a separate agency from the Department of Finance (DOF) in 2001, and expatriate advisors were present in the joint agency for most of the period since independence. Since 2001, the bulk of technical support to DOT has been provided by Australia, although other donors have also contributed, including the UK under its Overseas Development Institute Fellows program. The experience of the DOF is broadly similar.

Australia's technical advisory support to both agencies was substantially increased under the Australia – PNG Enhanced Cooperation Program (ECP) which commenced with the arrival of the first group of deployees in February 2004. Prior to that, Australian support was provided to both agencies under twinning arrangements with the Australian Departments of Treasury and Finance and Administration, and from 1992, under the Advisor Support Facility. Substantial support to both agencies has continued since 2004 under all three delivery modes; the ECP having evolved to the Strongim Gavman Program (SGP) in 2007.

Current focuses of Governance Support

Treasury

At present within the DOT there are 9 advisors deployed under the SGP, 5 of whom are Australian Treasury personnel working within the Economic Policy and Structural Policy and Investment Divisions; 3 are Australian Department of Finance personnel working in Budgets Division and one is an officer of the Australian Office of Financial Management, working in Financial Management Division. There is one EPSP advisor working in Financial Accountability and Inspections Division. There is currently no one deployed under the PNG – Australian Treasuries Twinning Scheme (PATTS).

The Capacity Development Agreement (CDA) concluded with DOT on 19 September 2012 provides for the deployment of 5 EPSP advisors, including extended deployment of the current advisor in Financial Accountability and Investments Division, for varying periods extending to end March 2014. The total cost of these deployments is estimated at some K2.9 million. In particular, the Agreement provides for the deployment of:

- A Gender and Social Inclusion Consultant to provide inputs of 3 months over a 15 month period to ensure that the Department of Personnel Management's General Order No 20 is "mainstreamed into cross cutting, gender and inclusion specific strategies and performance indicators within the Department."
- A Monitoring and Evaluation Consultant to provide inputs of 6 months over a period of 15 months to support the establishment of a framework for monitoring the Department's progress in achieving the objectives of its Strategic Plan – 2012, including through assistance in enhancing the process of information management to improve management decision making and performance monitoring. The consultant will also assist with strengthening government wide capability in the area in coordination with key stakeholders.
- A Training Plan and Targeted Training Consultant to provide 10 days of inputs to review the Department's Training Plan. Targeted training activities will be scheduled using periodic inputs up to a total of 12 months over 15 months.

- A Financial Management Advisor to provide inputs, initially, of 12 months with possibility of extension to provide assistance in the areas of; preparation and execution of the budget using the IFMS; financial management and control of the Department's expenditure; and strengthening of "internal Controls."
- A Management and Compliance Advisor to provide inputs of 12 months working in Financial Accountability and Investigations Division (FAID) to assist in strengthening: government wide governance and capacity in coordination with key stakeholders; implementation of recommendations of inspections and investigations; and compliance with legislation and identification of malpractice.

The EPSP inputs are broadly in line with the findings of the Capacity Diagnostic which highlighted corporate services as key areas of capacity weakness, together with poor management capability/skills among senior and middle level managers.¹⁹ The principal exception was the Management and Compliance Advisor position. The diagnostic suggested that the functions of FAID should be removed from DOT, possibly to an Office of Inspector General. Notably, the Diagnostic did not seek to identify capacity needs within DOT's core operational areas, deferring instead to the need for DOT to complete its Annual Strategic Plan to provide the necessary basis for assessments in this regard.

Separate to the CDA, a grant of K67,697 from the EPSP Capacity Development Fund was approved to renovate an office and construct a new conference facility within FAID.

The DOT CDA also identifies 4 inputs of 1 week each by Australian Treasury officials under the PATTS to advise on Treasury specific aspects of IT policy/practice and corporate and administrative practices, and to assist in updating the Medium Term Fiscal Strategy. Six week placements within the Australian Treasury are planned for 4 PNG Treasury officers and a further two officers will be sent on a 3-4 week visit to Australian Finance and Treasury offices and the APSC.

The DOT CDA assumes on-going support from 9 SGP advisors. However, it is intended that the number of full time Australian Department of Finance (ADF) SGP officials in Budgets Division will reduce from three to one once the terms of appointment of two of the three existing officers expire in December 2012 and March 2013 respectively. It is intended that they will be replaced by two short term advisors deployed for 6 months each during peak budget preparation periods.

Finance

The DOF currently has 4 SGP advisors, but this is planned to reduce to 2 when the terms of appointment of 2 of the current advisors expire in December 2012 and February 2013 respectively. The expectation is that, thereafter, any needed and agreed additional support from the ADF will be under the PNG – Australia Finance Twinning Scheme (PAFTS). The reduction in SGP advisory support is in addition to the reduction in SGP support to DOT's Budgets Division. SGP advisors currently are deployed in the Internal Audit and Compliance Division and the Provincial and District Financial Management Division. The SGP Team Leader operates as a strategic advisor to the DOF's Executive, at Deputy Secretary level.

The DOT has at present 4 EPSP advisors, two of whom are long term and two short term, and one ADF officer deployed under the PAFTS. The long term EPSP advisors are deployed in the Accounting and Frameworks Division and Provincial and District Financial management Division. The DOF CDA, as amended in August 2012, envisages the deployment of 6 EPSP advisors for varying periods until end March 2014 at a total estimated cost of \$A1,938,234 (around K4.0 m). In particular:

¹⁹ Reportedly, a particular recommendation in the latter regard that senior executives (First Assistant Secretaries and above) should undertake over the next 12 months short term management and leadership programs at the ANZ School of Management and the Harvard Kennedy School of Government in Boston was strongly supported by relevant staff.

- A long term advisor (12 months with possible extension) to support capacity development of staff in the Accounting Frameworks and Standards Division to carry out their functions in the area of compliance reporting down to LLG level, auditing of non-tax revenue at provincial level and better management of DSIP funds. The EPSP will also provide additional funding to support extensive travel involved in this work for the Advisor and one counterpart.
- A National Advisor (12 months) to provide accounting and financial management support and training for Finance staff at the district and provincial level, in close coordination with the PCaB and SNS programs, including assisting district treasuries to complete required DSIP financial submissions on time and up to a basic standard of quality. EPSP will also explore establishing an exchange program between DOF provincial and district financial officers and financial officers from Australian shire councils with a focus on grant management and revenue collection.
- A scoping consultant (10 days) to assist DOF's Financial Training Branch in developing training curricula for public sector financial officers in basic modern accounting and understanding of the legal framework to better equip them in working with the new Integrated Financial Management System (IFMS).
- A short term consultant (3 months) to assess past PNG public sector housing schemes and provide options for a future public sector housing policy that could be applied cost effectively across the PNG Government.
- A short term (6 months) HR consultant to assist Corporate Serviced Division in "operationalising" new performance based job descriptions in the DOF that emphasise merit, performance and ethical conduct and in reviewing DOF's disciplinary system for non performance or compliance.
- A public relations consultant (3 months) to assist DOF's Executive in developing a website based communication and outreach strategy.

In addition to the above resources, the DOF CDA provides for EPSP assistance in M&E training for the executive and select groups of officers, training in gender, OH&S workplace ethics and funding for the purchase and implementation of a "business workflow and correspondence management system." DOF also has received two grants totalling K240,000 and K480,000 respectively to assist it in recovering non-tax revenues payable to the Waigani Public Account from the Provinces and in the recovery of unpaid land rentals owed to the Government.

There is currently one officer deployed under the PAFTS, providing assistance to Accounting Frameworks and Standards Division in reviewing the Public Finances (Management) Act.

These inputs are all broadly in line with the findings of the DOF Capacity Diagnostic.

Issues

Within Agency Coordination Between SGP, Twinning and EPSP Programs

At present in both DOT and DOF the SGP Team Leaders convene weekly meetings which are open to all officers deployed under the three programs to attend. The meetings discuss relevant developments occurring in Canberra and share information about the current work focus of each officer and about any relevant broader agency context. Beyond this, there is little direction given, or able to be given, by the SGP Team Leader to EPSP staff, apart from occasional "moral support." EPSP staff effectively are supposed to be managed or directed by the manager of the area they work in and otherwise are guided by their (usually very specific) terms of reference. Obviously given their usual common home agency affiliation, there is closer interaction between SGP and Twinning officers.

It is important to recognise, however, that, as is evident in other agencies, the extent to which EPSP advisors are included in SGP/Twinning discussions and meetings is driven essentially by the personalities involved. It appears, for example that there was no coordination or team meetings

between SGP/Twins and EPSP advisors during the tenure of the previous DOT SGP Team Leader. Important also in this regard is the fact that SGP/Twinning advisors and EPSP advisors have different formal lines of reporting. For SGP/Twins, their lines of reporting are directly to the agency Head, to their home agencies and periodically on outcomes/achievements, to AusAID. EPSP advisers essentially report to their designated supervisor and to the EPSP Contractor and AusAID as per their TORs. The extent to which the agency head has familiarity with the work of EPSP advisors, therefore, is largely dependent on the adequacy of internal lines of reporting. Clearly, SGP reporting to agency heads could also be a conduit for such reporting by EPSP advisors under a more formally coordinated, cooperative framework linking the three support programs.

Assignment of Economic Governance Support

In DOT it is evident that the SGP Team Leader plays a key role in advising and assisting the Secretary in identifying and sourcing assistance from the Australian aid program. As the Team Leader described it, processes begin with an annual assessment of deliverables or outputs identified in DOT's Corporate Plan and the resources needed to achieve them. In key areas where it is deemed that GoPNG budget resourcing is or will be insufficient, the DOF looks to potential external sources of support. Where the area in question corresponds to functions also performed by the Australian Department of Finance the preference is to first seek the needed assistance from that source under the SGP, or now more likely, the PAFTS. Where insufficient support is able to be given by the ADOF, or where the demand is in areas of activity that are not performed by the ADOF (which are many), the DOT looks to the EPSP and the support of other donors.

This approach, and the extent of involvement by the SGP Team Leader should offer some degree of comfort that the bulk, at least, of Australia's aid resources going to the DOT under the three governance programs is being directed to areas of genuine capacity need, albeit not necessarily to those areas or activities that have a clear line of sight to enhanced service delivery.

It seems from the discussions held with DOT that the DOT SGP Team Leader also plays an important role in advising the Executive on areas/sources of potential external assistance, and by and large it seems the same rationale is applied; ie SGP/Twinning are the first line of preference, with EPSP and other potential donor support considered in filling remaining gaps. It seems that the DOT also seeks to anchor its requests for external donor assistance to its Corporate Plan, or more particularly, its Annual Strategic Plan, in much the same way as DOF does.

That said the DOT Team Leader does not appear to have the same level of engagement or influence with that Department's leadership in framing its requests for assistance under the EPSP and perhaps other donor programs.

The SGP Team Leader claims he was allowed little or no effective involvement in DOT's capacity needs diagnostic process funded under the EPSP, nor it seems, in the subsequent framing of the Capacity Development Agreement. Perhaps symptomatic of this situation was the agreement under the CDA to continue long term advisory assistance to FAID. As noted earlier, this was not supported by the DOT capacity needs diagnostic,²⁰ or, by most accounts, the fact that FAID has been largely ineffectual in combating financial fraud in the public sector to date.

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In this context, the DOT is probably unique in having SGP advisors (and potentially Twinning Advisors) sourced from different Australian agencies. The advisers concerned in effect report both to the DOT SGP Team Leader and the DOF SGP Team Leader. It also results in the DOF SGP Leader having direct access to the DOT Secretary on matters concerning his team in Budgets Division. Clearly, this situation places a high premium on there being effective information sharing and dialogue between the two SGP Team Leaders. Again, however, the extent to which this occurs is very much personality driven, and it seems that there has not always been effective communication between persons occupying the two positions.

CDA Outcomes

²⁰ The DOF Diagnostic also suggested that the FAID did not belong in DOT, but should be moved to DOF

Evident from the agreed EPSP advisory positions summarised above is that, in common with the experience across all supported agencies, there is a strong coalescence of EPSP resources around supporting corporate services functions in both DOT and DOF, although within DOF the two long term advisory positions are in more policy or operationally focussed areas, with fairly direct links to service delivery. For DOT, EPSP resources are almost entirely devoted to corporate services or backroom functions in the case of FAID. Perhaps the exception here is the long term financial advisory position, which will focus on establishing DOT's long overdue internal audit function and provide assistance to Treasury staff in working with the new IFMS. Both activities are clearly important to DOT's effectiveness in performing its (recurrent) budget formulation and funding disbursement roles et al that obviously are ultimately crucial to government service delivery.

To a significant extent the evident coalescence of EPSP resources around corporate services functions in DOT and DOF is a natural consequence of the abovementioned processes used by both agencies in identifying and sourcing external support. It also reflects the limitations of the agency diagnostics noted elsewhere in this Report and the essentially passive approach then taken to date under the EPSP of responding to agency requests for resources.

Cross Agency Coordination

More generally, concerns were expressed by the SGP personnel in DOT and DOF for greater communication and coordination between SGP/Twinning and EPSP across the programs. In particular, there is a concern within these central agencies that EPSP advisors, especially, are susceptible by virtue of their contractual arrangements to "capture" by their host agencies which can result in their efforts being directed to achieving what DOT and DOF would regard as poor policy outcomes, interventions, etc when viewed in a whole of government context. In contrast, SGP/Twinning officers are permanent employees of their home agencies, and as such see themselves as being able "fearlessly" to provide their advice to agency managements who of course can take it or leave it. Even then, however, an instance was cited of an SGP advisor being engaged in an agency restructure that DOT and DOF, and many others, saw as poor public policy.

In the circumstances, there is concern that greater SGP, especially, input into EPSP resourcing proposals and in monitoring advisor activities is needed, to bring a whole of government perspective to these matters. The recently formed "Economic Group" within AusAID PNG is one forum that could be utilised in this regard, although the EPSP Design did envisage a more inclusive coordination framework, but which to date has not been activated.

Conclusions

The foregoing highlights a number of issues regarding inter program coordination at both the agency and whole of government or program levels.

Allocation of assignments

The approach within both the DOT and DOF in sourcing external advisory assistance, together with limitations in the Capacity Diagnostics of both agencies, has had the effect of basically pushing EPSP support towards the "softer areas" of corporate services, although there are a some notable exceptions to this in the case of both agencies.. A more strategic approach to resource allocation under the EPSP would likely counteract this trend towards coalescence around support for corporate services. That said, effective corporate services are very important to the effective functioning of agencies and may still warrant a degree of focus for EPSP support in core central agencies like DOT and DOF.

Within Agency Advisor coordination

Evident is that coordination among advisors within an agency currently is driven by personalities, and as such can be highly variable over time and between agencies. There is clearly a need to formalise requirements for information sharing and collaboration among all advisors supported by the Australian aid program within an agency. Logically, the responsibility for this coordination should fall to the most senior advisor within the agency: usually, the SGP Team leader where relevant or otherwise the

advisor with greatest access to the agency's senior management, or simply with the most PNG experience.

Advisor's Terms of Reference

To ensure effective coordination, the onus to facilitate it by the SGP Team Leader or Lead Consultant should form part of their terms of reference. Correspondingly, the terms of reference of all other advisors should oblige them to work collaboratively with the designated agency Team Leader. The essential purpose is to ensure that everyone understands what their colleagues are working on and their objectives. This should help to ensure that everyone is on the "same page," avoid possible conflicts in terms of objectives, etc. There, of course, should be no intention that SGP or other personnel should share with colleagues potentially sensitive policy etc information that they may be privy to in the course of their work.

Lines of Reporting

Lines of reporting, particularly to agency heads between SGP/Twins and EPSP currently are disjointed. There would be logic in having all reporting on activities to agency heads coordinated through the Team Leader.

Across Programs/Agencies coordination

There is clearly a need to facilitate more effective input from SGP Team Leaders, especially, into the resource allocation decisions being made under the EPSP, to help bring a whole of government perspective in this regard. An intended framework for this was specified in the EPSP Design, but appears not to have been activated. One possibility would be to utilise the newly created Economic Group within AusAID PNG as the key forum in this respect. Again, to ensure effective participation by SGP and other personnel in whatever processes may be activated, this too should be a specific requirement incorporated in individual's terms of reference.

Annex 6 – Case Study: Support for Department Of Personnel Management

DPM's involvement with SGP, the Twinning Initiative and EPSP

There has been only limited engagement by DPM with the SGP. This was through the assignment of two SGP officers to support the Devolution (of the HR function) Project in 2007–2009 which focused on devolving accountability for HR to selected agencies, with related capacity enhancement of the HR function within these agencies. Regrettably the area the SGP advisers worked in viz. Monitoring and Compliance, was subsequently transferred to another division. The staff and consequently the capacity building skills gained were not transferred to the Work Force & Organisational Development Division which was assigned the devolution responsibility. This meant that the second phase of capacity enhancement for the HR function of agencies was not carried out.

SGP assistance has not been sought since then. The devolution process continues and is now focusing on devolving HR management authorities to provincial administrations thereby enabling greater efficiencies for service delivery. The HR COnNECT Program, funded by EPSP, now supports this process and addresses the capacity enhancement of the HR functions of these agencies as one of its key components.

Twinning arrangements between DPM and the Australian Public Service Commission (APSC) continues and has been of value as it focuses on strategic and policy related issues. Assistance has been effectively used in assisting with DPM's requirements relating to annual reporting for agencies, reviewing the appointment processes for Departmental Heads and developing a framework for a value based executive leadership program. Further support has been sought to assist DPM to review and classify all public service positions in line with ILO classifications.

DPM has been at the forefront in accessing EPSP following its involvement in the Technical Assistance Review. DPM, with the strong leadership by the Head of Department and the two Deputy Secretaries, has taken an active role in engaging with EPSP starting with the Capacity Diagnostics exercise. This was possibly the only agency where top management was personally involved in the diagnostics.

A Capacity Development Agreement is now in place and a range of modalities are used, including technical assistance to meet DPM's organisational needs. This covers support for corporate planning, industrial relations, lease management, inclusion & equity policies, assistance for records management, project management related to the HR COnNECT, funding for a company to conduct TNA, a TNA specialist and HRMIS. Gender and Inclusion Specialist based at the PMO also supports DPM as part of EPSP's whole of Government support for this issue.

There has been no clear and apparent linkage between the work of SGP, Twinning and EPSP in DPM. SGP was of course a precursor to EPSP's operations with the department. By the time EPSP arrived on the scene, SGP's involvement with the department had ceased. On the other hand, EPSP and Twinning operate within the department in parallel currently. DPM's senior management does not see any need to link the assistance of the two programs, and EPSP on its side has made no major effort to do so either.

The Public Sector Workforce Development Initiative

One of the recurring whole-of-Government issues raised by all central and line agencies is the loss or retention of capable, experienced professional staff. This is largely due to skilled professional and technical staff being poached by the private sector and SOE's. Despite concerted efforts by agencies

to train and skill up staff, the incentives to keep staff were not comparable to those offered by the private sector.

GoPNG initially embarked on a Public Sector Workforce Development Program (PSWDP) in 2004 and after three years the program was extended for another three years. PIP funding (K4 million) was provided for training programs and AusAID assisted with counterpart funding (K5 million) which was mainly for program staff through ASF (6 positions) and EPSP over a five year period.

PSWDP has developed a new Public Service Training Package for core public administration competencies starting with a New Basics (Induction) Program and also a New Generations Program (a graduate program). The Executive Development Program faced some difficulties until recently. Two PSWDP Leadership Development Workshops have been held and implementation of the Kalibobo Resolution has followed the workshops with support from Twinning initiative with APSC. This has led to the development of a Leadership and Executive Program aimed at developing executive leadership in government agencies.

DPM has also sought APSC assistance to review the National Training Policy, an activity long overdue and critical in guiding workforce development including capacity building. This provides an opportunity for GoPNG to be more strategic and targeted in the way it supports the upskilling of its workforce. The yawning gap from middle to senior to executive personnel needs to be immediately addressed by identifying and nurturing cadres of professionals who are desirous of a career in the public service.

PSWDP is a success story for Government and provides some useful lessons. The Capacity Diagnostic for DPM urges consideration be given so that “the support for PSWDP mainstreaming (continues) in its current form under the leadership of DPM Secretary, but remaining independent to allow stakeholder partnership to continue providing resources”.

It is important that the transfer of PSWDP from PIP to the Recurrent Budget of DPM is seamless and that it is given the same level of funding so it can be strategically involved in whole of Government workforce development, including capacity building issues. PSWDP has established a very strong network and built alliances across all agencies and other stakeholders and these are assets that DPM can use effectively. It also has an Interdepartmental Committee that supports the management of the program and whose terms of reference could be revised to carry out its changing role in workforce development.

Another program that could be more joined up to workforce development in DPM is the Scholarships Program offered by AusAID. More dialogue and engagement by both DPM and AusAID would see better targeting of job-related training for public servants in country and externally.

The availability of targeted short term job related training (such as those offered by PSWDP and overseas) for several officers in a department or a division will staff-up officers with the same vision and drive to make a change. Past targeted training programs in PNG such as the Public Sector Training Program have shown that leaders can be nurtured and many have achieved head of agency status.

PSWDP has laid a solid foundation in developing competency based training products and services such as the New Basics and Developing the Next Generation. It still needs to consolidate its efforts on Executive Development. PSWDP would provide a good example of sustainability should funding be provided in the 2013 National Budget for the transfer of the PSWDP from a PIP project to DPM's recurrent budget.

SNI/SNP was able to piggyback on a government initiative, PPII in DPLGA. This is a useful lesson and in a similar way, EPSP could continue to use its success in PSWDP to support DPM in workforce planning and development issues. Continued linkage by EPSP will ensure PSWDP is embedded in DPM and continues to enable the development of a skilled, experienced professional workforce, as well as providing cadres of future managers and leaders in the public service.

Conclusions: Potential Links between Twinning and EPSP

The PSWDP is a program where there is potential for more effective linkage between EPSP and the Twinning program in DPM. The Twinning program brings to DPM the support of APSC. This supports figures prominently in the development of the Executive Leadership Program. The leadership program, given that it targets middle and senior management within public sector agencies, could have an important beneficial impact on the issues that EPSP is espousing going forward viz a performance focus and a service delivery focus.

Middle and senior management of public sector agencies in GoPNG are a strategically significant target group. They are accountable for the performance of their respective agencies. Bringing to them ideas, approaches and Australia's experience on performance management for more effective services would be a major benefit.

The senior management of DPM though is still ambivalent about how to strengthen the links of EPSP's and APSC's work within its organization. It may be up to EPSP to take the initiative and make contact with APSC to discuss potential for collaboration.