



# Review of the Papua New Guinea Direct Financing Support Mechanism

## Final Report

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## Contents

<b>Acknowledgements .....</b>	<b>iv</b>
<b>Acronyms .....</b>	<b>v</b>
Key Findings .....	i
Relevance .....	i
Effectiveness .....	ii
Efficiency .....	iii
<b>1 What was the Direct Financing Support Mechanism? .....</b>	<b>1</b>
<b>2 Review Purpose and Methods .....</b>	<b>2</b>
2.1 Purpose and scope of the review .....	2
2.2 Key evaluation questions .....	2
2.3 Review methods .....	3
2.4 Review limitations .....	3
2.5 Report structure .....	4
<b>3 Review Findings .....</b>	<b>4</b>
3.1 Relevance .....	4
3.2 Effectiveness .....	10
3.3 Efficiency .....	17
<b>4 Conclusions .....</b>	<b>24</b>
<b>Annex 1 Evaluation Plan .....</b>	<b>26</b>
<b>Annex 2 Schedule of Consultations .....</b>	<b>27</b>
<b>Annex 3 Aide Memoire presentation .....</b>	<b>30</b>
<b>Annex 4 DFS Products and services .....</b>	<b>41</b>
<b>Annex 5 DFS legacy activities .....</b>	<b>46</b>
<b>References .....</b>	<b>48</b>

## Tables

Table 1	Key evaluation question summary .....	2
Table 2	Comparison of total DFS allocations and expenditure 2013 and 2015 .....	13
Table 3	Changes in time and context .....	22

## Boxes

Box 1	A DFS funded activity that was relevant and supported the TTF .....	8
Box 2	The DFS improved capacity for NDoE officers to access funds .....	11
Box 3	English language kits for elementary schools .....	14
Box 4	Providing support to the visually impaired .....	15
Box 5	Transforming PNG's public financial management system? PGAS – IFMS .....	18

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## Acronyms

AHC	Australian High Commission
AOFP	Annual Operational and Financial Plan
CDF	Capacity Development Facility
DFAT	Department of Foreign Affairs and Trade
DFS	Direct Financing Support
DNPM	Department of National Planning and Monitoring
ECDF	Education Capacity Development Facility
ECF	Education Capacity Facility
EMIS	Education Management and Information System
ESIP	Education Sector Improvement Program
GOPNG	Government of Papua New Guinea
ICT	Information Communication Technologies
M&E	Monitoring and Evaluation
MEF	Monitoring and Evaluation Framework
NCD	National Capital District
NDoF	National Department of Finance
NDoE	National Department of Education
NEP	National Education Plan
NRI	National Research Institute
PABER	Pacific Benchmarking for Education Results
PFD	Project Formulation Documents
PFM	Public Financial Management
PFMA	Public Financial Management Act
PILNA	Pacific Islands Literacy and Numeracy Assessment
PNG	Papua New Guinea
PQEP	Parents for Quality Education
QUT	Queensland University of Technology
SSP	Specialised Services Provision
TED	Teacher Education Division
TFF	Tuition Free Fee
TVET	Technical Vocational Education and Training
UBE	Universal Basic Education Plan
VSO	Volunteer Services Organisation

## Executive Summary

The Direct Financing Support (DFS) mechanism was Australia's main aid modality for supporting improvements in education services in Papua New Guinea from 2011 to 2016. The DFS was a budget support mechanism that worked through PNG government systems, with the aim of strengthening them and harmonising donor support.

The original intention was for the DFS to provide earmarked budget support (including school subsidies) across PNG's education sector. An oversight contractor that worked within the National Department of Education managed Australian aid funds through a trust account arrangement. These funds were spent on programs and activities that were mutually agreed to by the PNG and Australian Governments, and directly aligned with PNG's national education plans and strategies. Since processes for accessing, spending and reporting on DFS funds were very similar to PNG Government systems and procedures, similar operational challenges were experienced.

Australia pledged an indicative total of AU\$170.05 million to the DFS over a five-year period. However, during the period of DFS implementation only about AU\$40 million was spent from the Education Sector Improvement Program (ESIP) Trust account. In 2014, the Australian and PNG governments agreed to suspend the DFS, due to unanticipated acquittal issues and incidents of fraud, which contributed to much slower than expected DFS expenditure. In May 2016, both governments reached agreement to use the remaining consolidated funds for agreed DFS 'Legacy' activities under a conditional grant agreement.

The Department of Foreign Affairs and Trade commissioned this review 'to evaluate the performance of the DFS modality in terms of its intended strategic goals and objectives' (DFS Review Terms of Reference). The focus of the review was to understand how the DFS mechanism operated in terms of its relevance, efficiency and effectiveness. The review documents key lessons learnt from the implementation of this budget support modality. Since the DFS was one of only a few known examples of a donor providing budget support to PNG at the time, recommendations are provided should a DFS type modality be considered for future programming. Finally, this review tests the underlying assumption that the DFS 'strengthened government public financial management and accountability will result from government-led initiatives that are supported by development partners' (DFS Review Terms of Reference). The review does not assess the impact of education investments supported under the DFS.

### Key findings

On balance the DFS delivered positive benefits to the PNG Government in terms of its ability to finance and deliver on major education reforms throughout the country. The assumption that working in partner systems can contribute to strengthened financial management processes and procedures from supporting PNG government led initiatives (through NDoE) was validated. There was also some evidence found to suggest that challenges to administering the DFS using PNG government systems were largely identified and addressed throughout the life of the program. The 12 key findings identified in this report, listed under relevance, effectiveness and efficiency criteria, are as follows:

### Relevance

**Key Finding 1: The DFS was shaped by changes in time and context.** As a budget support modality, the context in which the DFS was designed and initiated in 2010 shifted significantly to when it concluded in 2016. Some of the factors contributing to these changing circumstances relate to the broader political and economic context for Australia, as the donor, and for the PNG government, in terms of its ability to finance and deliver basic education services across the country.

The DFS directly aligned with core principles described in donor harmonisation agreements, was regarded as a 'best practice' approach, and represented contemporary development thinking on aid effectiveness. Despite the known challenges and risks to working through PNG systems, the DFS was responsive and able to adapt its programming to support aspects of major reforms in PNG government policy for the education sector.

**Key finding 2: The DFS underestimated capacity constraints of provinces, districts and schools to expend, acquit and report on donor funds received.** It is reasonably clear that DFS funded programs and activities remained relevant for national level education priorities. However, the DFS struggled to provide direct support for the education priorities of provinces, districts and schools in the same manner. Challenges associated with providing direct DFS support to provinces and schools contributed towards a reluctance for the DFS to work beyond the national level. Consequently, DFS funds directed to sub-national levels diminished over time and became less relevant for supporting decentralised service delivery priorities in the education sector.

## Effectiveness

**Key finding 3: The DFS strengthened NDoE staff capabilities in financial administration and use of PNG Government systems, although there is uncertainty as to whether this capacity will be sustained.** The DFS mechanism was built on an assumption that the 'learning by doing' approach would strengthen partner systems. The DFS introduced an ambitious modality, which showed that working in partner systems can contribute to strengthened processes and procedures over time. The engagement of an oversight contractor, embedded within the NDoE, modelled a hands on approach to improving public financial management systems. While NDoE staff capabilities were strengthened, there is insufficient evidence to make a reasonable judgment about whether this will be sustained in the future.

**Key finding 4: The DFS did not work in close alignment with the other two modalities set out in the Delivery Strategy as intended, which lessened its potential impact.** Broadly speaking, the intention of the DFS to work in close co-ordination with, and be complementary to, the infrastructure, procurement and capacity development modalities, did not transpire as planned. This in turn, limited the effectiveness of the DFS to support improved education outcomes. While well intentioned in principle, attempts to link the three modalities appeared to be too ambitious.

**Key finding 5: The DFS modality provided PNG and Australia with strong and diverse entry points for policy engagement.** As envisaged under the Delivery Strategy, the DFS modality did 'provide entry points for policy and operational dialogue' (AusAID 2010: 12). Both partners acknowledged that there were times when the relationship was stretched, particularly in terms of disagreements about what should have been prioritised for funding under the DFS. In general, however, genuine partnerships and goodwill was built between the Department of Foreign Affairs (DFAT) and the National Department of Education (NDoE) and this created policy engagement opportunities for the Australian and the PNG Governments. However, when circumstances changed, such as changes in key senior personnel at the NDoE and DFAT, effective policy engagement became more difficult.

**Key finding 6: The DFS filled important gaps in PNG's education budget, which contributed towards key education policy priorities.** There is strong evidence to suggest that the DFS funded important aspects of NDoE's budget, although it is less certain that the programs and activities it financed contributed towards the overall effectiveness of improved education outcomes. Essentially, the DFS was perceived as a mechanism that 'plugged gaps' in budgets not funded by GoPNG. This meant the DFS broadly funded programs and activities across divisions in NDoE, which created the impression that support was too 'scattered' across the sector.

Broader DFS support for NDoE capacity strengthening efforts were too difficult to assess at the time of this review. This is partly because of weaker than expected DFS monitoring and evaluation as well as the nature of capacity development itself. It is also important to note that the suspension of DFS accounts and slower than expected expenditure were contributing factors that limited DFS effectiveness as a whole.

**Key finding 7: DFS monitoring and evaluation was weak and unable to explain Australia's contribution towards, or DFS influence on, improvements in partner systems and education policy, planning and service delivery.** A comprehensive range of monitoring and evaluation platforms to measure program outputs/outcomes were identified under the Delivery Strategy. For most of the DFS implementation, the existing monitoring and evaluation systems were collectively too weak to effectively measure performance. More robust monitoring and evaluation systems may have been better able to monitor results against sector priorities. In turn, this would have helped the Australian aid program to identify and explain its contribution towards achieving education outcomes and system strengthening objectives.

While Australia and PNG attempted to strengthen monitoring and evaluation under the DFS, these efforts either came too late or proved to be ineffective. In hindsight, there was a clear need for a long-term monitoring and evaluation advisor to be embedded within NDoE and the permanent monitoring and evaluation officer positions would have needed to be filled within NDoE. These measures would have strengthened capacity to monitor progress in the education sector and therefore contribute towards an evidence base for policy and planning.

**Key finding 8: The DFS required a longer period of time to reach its potential and strengthen partner systems.** There was evidence of progress in improving public financial management systems, such as improved planning and budgeting, and a greater understanding of PNG government systems and processes within NDoE. However, sustained support over a longer time frame was required. An unintended outcome was that NDoE officers gained a better understanding about using their own systems. Observed changes in attitudes and behaviours required to strengthen partner systems in the long term needed a sustained approach.

## Efficiency

**Key finding 9: While there were significant challenges to administering the DFS using PNG government systems, these were identified and addressed throughout the implementation of the program.** The PNG Government Accounting System (PGAS) used at the time of DFS implementation were cumbersome and inefficient, which exposed the DFS to potential and actual fraudulent activity, which significantly limited expected expenditure flows. PGAS was not suitable for DFS system strengthening priorities. The transition to the Integrated Financial Management System (IFMS) at the end of 2015, would have provided a more appropriate mechanism for the DFS if it were currently operational, especially in terms of accountability and reporting.

**Key finding 10: The DFS resulted in high transaction costs for NDoE and DFAT, which took the form of intensive process driven management between donor and partner government, as opposed to strategic policy engagement.** There was broad consensus that the DFS was implemented differently to how it was originally envisaged. Transaction costs for the DFS were higher than initially anticipated. In practice, working in partner systems required large investments in staff time from the donor (Australia) as well as the partner government (PNG). The DFS provided ample opportunities for relationship building that may be difficult to sustain in the current context of declining aid budgets and a shift in focus to economic empowerment.

**Key finding 11: Greater attention should have been paid to tracking improved capacity in partner systems overtime and identifying the most important aspects of the system to develop.** More robust assessments of public financial management capacity, especially in regards to



expenditure and reporting were required before the DFS began implementation. Now that PNG is operating in a context of tight fiscal constraints, NDoE officers are reluctant to devote significant time or effort to submitting project formulation documents in an attempt to secure development funds through PNG government systems. Therefore, it is questionable whether the DFS should have focused on strengthening this aspect of PNG's public financial management system.

**Key finding 12: The DFS did provide value relative to the investment made, although the costs of implementation were high.** DFS objectives to build strong GoPNG ownership through providing a flexible mechanism that complemented NDoE's existing budget and safeguarded donor funding were met to an extent through the management of the DFS. Despite initial challenges, the DFS was valued, accepted and owned within NDoE. The support provided through the DFS was not static, but evolved and adapted over time through direct policy engagement and dialogue between NDoE, DFAT and the oversight contractor

Finally, while it is unlikely that a DFS type budget support approach will be adopted in the near future given the current political economy context, some key lessons from DFS implementation should be considered when assessing delivery options for future support to PNG's education sector.

#### **Key lessons learnt about the design and implementation of the DFS include**

1. **A smaller and targeted approach.** On reflection, the DFS tried to do too much too quickly, both in terms of its support to strengthening public financial management systems and achieving education outcomes at the same time. The DFS could have benefited from starting smaller, focusing on particular reform initiatives and building stronger monitoring and evaluation systems to inform ongoing implementation before expanding to provide assistance to the whole education sector.
2. **Working in partner systems.** Strong relationships were developed by working in partner systems. When circumstances permitted, Australia was able to use their relationships to seize windows of opportunity to support major PNG government reforms when they became politically feasible. There could have been more sustainable change in strengthening PNG government systems, which were targeted by the DFS, if there had been longer time frames to work with central agencies, such as the Central Supplies and Tenders Board, working in close co-ordination with the other two modalities set out in the Delivery Strategy. Importantly, the oversight contractor embedded within NDoE was crucial in the strengthening systems, while also safeguarding Australian aid funds.
3. **Monitoring and evaluation.** DFS monitoring and evaluation was heavily reliant on government systems to provide data needed by either NDoE or DFAT Australia for strategic policy engagement. Monitoring and evaluation could have been strengthened if Australia had followed through with its intention to develop an alternative, but integrated, monitoring and evaluation approach that supported system strengthening efforts. In retrospect, the Information Communication Technology infrastructure, monitoring and evaluation at NDoE needed to be strengthened simultaneously.

The following section lists the key recommendations based on lessons learnt from conducting this review. The recommendations are described in Section 5 of this report. While these recommendations are most relevant for the education sector, they could also be applicable for other sectoral programs if consideration of the specific context and the overall political economy environment is taken into account.

### **Key recommendations**

- R.1. The time and context must be 'right' for both donor and partner government.
- R.2. Budget support should start small and build overtime with a focus on particular reform initiatives while building strong monitoring and reporting systems.
- R.3. Develop robust monitoring and evaluation mechanisms and strengthen existing systems.
- R.4. Prioritise a strategic focus for budget support investments.
- R.5. A budget support modality requires long time frames.
- R.6. Relationships between donors and government should be sustained.
- R.7. Document the DFS story in more detail.

## 1 What was the Direct Financing Support Mechanism?

The Direct Financing Support (DFS) mechanism was one of three modalities designed under the Australian Support for Basic and Secondary Education in Papua New Guinea Delivery Strategy 2010 – 2015 (Delivery Strategy). As originally envisaged, the DFS provided earmarked budget support to the education sector using Government of PNG (GoPNG) systems, mainly through the National Department of Education (NDoE). Safeguards were put in place, which included an oversight contractor to support the management and disbursement of donor funds through an established trust account. During its time of operation (2012 – 2016), the DFS funded programs and activities mutually agreed to by GoPNG and Government of Australia in support of PNG's National Education Plan and Universal Basic Education Plan. The DFS disbursed funds directly to education providers in PNG at the national, provincial and school levels.

Designed as a dual purpose modality, the DFS aimed to improve core components of PNG's education system, specifically in regard to access, retention, quality, equity and educational management. At the same time, it supported principles of donor harmonisation by seeking to work through and strengthen GoPNG public financial management systems. The DFS was one of the only known examples of a donor providing budget support to the PNG Government at the time.

The DFS was designed to work in conjunction with, and be complementary to, the other two modalities set out in the Delivery Strategy. The Specialised Services Provision (SSP) modality was originally established to deliver school infrastructure and educational materials, while the Capacity Development Facility (CDF) modality provided targeted technical assistance and capacity building support. Of these, the DFS most explicitly characterised partnership and donor harmonisation principles. The SSP and CDF were administered by managing contractors and represented a different way of managing Australia's aid program compared to the DFS. Together, these three modalities aimed to provide balanced support to PNG's education sector, which would mitigate fiduciary risks while developing institutional capacity of key government agencies.

The DFS modality was subject to the same kinds of operational challenges as GoPNG expenditure. Similar to other national government departments, NDoE relies on central agencies to submit budget bids and spend funds in accordance with PNG's Public Financial Management Act (PFMA). The process for accessing DFS funds was very similar to GoPNG systems and procedures. It involved divisions within NDoE preparing Project Formulation Documents (PFDs) that were submitted to senior management in the department to be considered for inclusion in annual budgets the following financial year. The approved PFDs contributed to the formation of the Annual Operational and Financial Plan (AOFPP), which reflected priority programs and activities for NDoE. In order to secure funds for activities in the AOFPP, NDoE could either submit budgets through DNPM (the normal PNG development budget process for all agencies) or DFAT (through the DFS, which required additional approvals). All programs and activities that received funding were monitored through Quarterly Budget Reviews, which DFAT also attended. The DFS used a GoPNG Trust Account, which was managed in accordance with a procedures manual and funding agreements with the NDoE.

As PNG and Australia's political economy contexts changed, so too did the DFS. Major reforms to PNG Government education policies and changes in Australia's development assistance policies shifted DFS support to mainly focus at the national level. Proposed funding allocations for the DFS also changed. The expectation that the DFS would increasingly occupy a larger share of Australia's funding contribution to PNG's education sector (from 34.9 per cent in 2010 to as much as 45 per cent by 2015) never eventuated. This was in part due to much slower than expected DFS expenditure and unanticipated acquittal issues, which culminated in the suspension of the DFS in 2014. The context and reason for these changes and how the DFS evolved over time to support key education policies of the PNG Government forms the main focus of this review.

## 2 Review Purpose and Methods

### 2.1 Purpose and scope of the review

This review covers the period of DFS implementation from 2012 to 2016. The main purpose is to document the DFS story from its intent, as articulated in the design, to what it achieved in practice, through its implementation. The review will make judgements on the relevance, effectiveness and efficiency of the DFS modality and test the underlying assumption that ‘strengthened government public financial management and accountability will result from government-led initiatives that are supported by development partners’ (DFS Review Terms of Reference).

The review identifies key findings in regards to how the DFS modality operated and contributed towards achieving mutually agreed priorities in the education sector. It provides recommendations on how the modality, or certain elements of it, could be used in future programming. The review does not focus on the impact of education investments supported under the DFS.

### 2.2 Key evaluation questions

**Rationale.** DFAT commissioned this review to gain a comprehensive understanding of the achievements and challenges associated with using a budget support modality like the DFS in PNG. The DFS officially concluded in June 2016, although DFS ‘legacy’ activities in Technical Vocational Education and Training (TVET) and Information Communication Technology (ICT) have continued using unexpended DFS ESIP Trust funds. At the time of writing this report, DFS legacy activities continue to support the education sector through a grant mechanism, which is managed by a contractor. Annex 5 describes those DFS legacy activities.

**DFS funding and objectives.** K100,839,485 million (approximately AU\$40 million) was spent from the DFS trust account between 2011 – 2016 (Deloitte: 16:5). However, Australia had pledged a much higher indicative amount of AU\$170.05 million over a five-year period to the DFS (AusAID agreement Amendment 2:2012:4). The original intention of the DFS was that the funding commitment would contribute towards improved student access and participation rates, reduced class sizes, better student performance at grades 8 and 12 and improved management capacity across the education system. An expected outcome of the investment was to measure progress towards gender equality targets for students in the basic education sector (AusAID 2010: 8).

**The review.** An independent review team, consisting of a Team Leader / Monitoring and Evaluation specialist and a Public Financial Management specialist conducted this review into the DFS. DFAT officers working on the education program at the Australian High Commission as well as officers from NDoE and DNPM supported the review team while in country.

Table 1 shows the key evaluation questions used for the review. These main questions were then broken into sub-evaluation questions, which informed a series of interview questions that were used during consultations with key informants. Annex 1 provides the evaluation plan.

Table 1 Key evaluation question summary

Category	Key Evaluation Questions
Relevance	1. How relevant and responsive is the DFS mechanism to PNG’s priorities in education?
Effectiveness	2. Was the DFS an effective model for strengthening capacity and improving access to the education system in PNG? 3. Did the DFS contribute towards improved education service delivery?

Category	Key Evaluation Questions
Efficiency	<p>4. Did the DFS mechanism represent value for money?</p> <p>5. How efficient was the administration of the DFS as a modality?</p>
Lessons Learned	<p>6. What are the key lessons derived from the DFS mechanism for Australia's support to PNG in the education sector?</p>

## 2.3 Review methods

The review team used a mixed methods approach to collect and analyse data. This mainly drew on interviews with key informants, either as individuals or as a group, but also program documentation, including DFS financial statements, and the relevant international literature. The review team relied on qualitative methods to look backwards and provide detail to the documented records to understand how the DFS mechanism worked and what it achieved.

The review team consulted widely. NDoE, DNPM and Australian High Commission (AHC) staff accompanied the review team on most occasions. In person consultations with NDoE officers were conducted across several divisions, other PNG Government Departments including the National Department of Finance and DNPM and, National Capital District (NCD) education division leaders provided a PNG government perspective. A mix of telephone and in person consultations with DFAT posted staff at the AHC, both past and present, Australian Aid funded Advisors in the education sector and Deloitte Touche Tomatshu in their role as the oversight contractor, provided a balanced Australian perspective on the DFS as a modality. Unfortunately, because the DFS mechanism concluded in mid-2016, the review team was unable to meet with or discuss the DFS with as many external partners as originally intended. However, post aide memoire correspondence with a representative from the Catholic Education Agency and a meeting with National Research Institute did provide the review team with valuable insights into the context and activities of the DFS at the time.

Despite some differing views expressed about the DFS there were clear common themes. The review team categorised key findings into five themes, testing these findings at 'sense making' workshop with a small number of NDoE staff prior to the formal presentation at the Aide Memoire. This approach was in keeping with the participatory approach of the review, particularly allowing informants to validate or clarify views previously expressed. These themes were stated as key messages and discussed in more detail with a broader audience in the aide memoire presentation (refer to Annex 3).

## 2.4 Review limitations

There were some limitations in the conduct of this review. First, the DFS was a complex and sophisticated modality that depended on the sum of all its parts. This review only focussed on the DFS. Second, its retrospective nature meant that it was difficult to engage with some key external partners involved in DFS implementation. For example, the Voluntary Services Organisation (VSO) ceased operations in PNG in 2017 and many of the church partners and other donors were unable or unwilling to meet with the review team. Third, the review focussed on predominately evaluating budget control and execution stages of the DFS at the national level. The review team did meet with representatives from the NCD to provide a glimpse of downstream DFS flow on effects and education needs. While the review team recognises that DFS support focussed on NDoE from 2013, a more detailed understanding of the effectiveness of implementation at the sub-national levels could have allowed for deeper insights given that the intention that DFS would provide sector wide support at each level of government.

There are differences between the approach taken in this report to reviewing an aid mechanism and an evaluation that seeks to assess impact against investment. Assessing the impact of the DFS at

multiple levels of the Delivery Strategy would have required a broader scope in the Terms of Reference. It is important to recognise that the review team did not attempt to visit DFS projects and activities, many of which took place at sub-national (mainly provincial) levels. This limited scope placed on the review team was intentional and discussed with DFAT before the evaluation commenced. Given this limitation, the independent judgement and findings about the DFS as it operated at the time, arises from the review of documents provided, discussions with key informants in Port Moresby and analytical comparisons with the international literature.

## **2.5 Report structure**

Section 1 provided a summary of what the DFS was and how it worked in practice.

Section 2 specified the boundaries and context for the review at the time of DFS implementation (2012–2016).

Section 3 examines the questions of relevance, effectiveness and efficiency. It explores and assesses the validity of the DFS' underlying assumptions, documents key findings and analyses lesson learnt against each evaluative criterion.

The review lists each of the 12 main findings from the review as they relate to each of the main headings in this section (relevance, effectiveness and efficiency).

Section 4 provides key recommendations for policy makers on the circumstances under which budget support / working in partner systems may be applicable. It will also outline some immediate actions to better capture DFS achievements.

Section 5 draws together the review conclusions.

Annexes provide the detail behind this report, including the coverage of DFS legacy activity and some of the attributable products and services derived from the DFS.

## **3 Review Findings**

### **3.1 Relevance**

The time and context for the DFS, as a budget support modality, shifted significantly from its intention as described in the Delivery Strategy in 2010 to when it concluded in 2016. Some of the factors contributing to these changing circumstances during DFS implementation relate to the broader political and economic context for Australia, as the donor, and for the PNG Government in terms of its ability to finance and deliver basic education services across the country.

In this context, the DFS directly aligned with core principles described in donor harmonisation agreements. The DFS represented a 'best practice' approach and reflected contemporary development thinking on aid effectiveness at the time. During DFS implementation, a number of unacceptable fiduciary risks emerged for Australia, which required significant resources to mitigate, all of which influenced decisions to curtail the DFS scope in 2013/14. Australia's acceptance of risk within the broader aid program had changed. Despite these challenges and known risks to working through PNG systems, the DFS proved when implemented that it was responsive and able to adapt to support aspects of major reforms in PNG Government policy for the education sector. While the DFS remained relevant for national level priorities, it struggled to be directly responsive to the needs of provinces, districts and schools.



### 3.1.1 Key findings (relevance)

#### Key Finding 1: The DFS was shaped by changes in time and context

##### Changes in PNG's political economy context (2011–2016)

For PNG, the early implementation of the DFS (and the Delivery Strategy more broadly) represented a time of growing national revenues and an expansion of the national budget. National public expenditure doubled between 2003 and 2008 and doubled again between 2008 and 2013 on the back of a resources boom (Howes et al. 2014). Even the Delivery Strategy assumed '...there is hope that the economic growth will accelerate significantly in the near future with projections of PNG's GDP doubling over the next few years and much employment created.' (AusAID 2010: 18).

During the period of implementation of the DFS, assessments of PNG's public financial management system showed that structural weaknesses persisted, and were potentially in decline, while perceptions of corruption remain prominent. PNG's most recent Public Expenditure and Financial Accountability (PEFA) Assessment (IMF 2015) found that the credibility of national budgets and fiscal strategies were satisfactory, although budget implementation, particularly in regard to how expenditure is managed, accounted for and reported on was very weak. In subsequent analysis, Fellows and Leonardo (2016) noted that PEFA performance indicators have declined considerably when compared to similar assessments carried out in 2005 and 2009.

Adding to the perceived risks of using government systems is PNG's recent ranking of 145th out of 175 countries in Transparency International's Corruption Perceptions Index (Transparency International 2014). In addition, PNG is in the lowest 15 per cent of countries, in terms of the process for how it deals with and controls corruption, based on the World Bank's Worldwide Governance Indicators (World Bank 2014).

More recently, there has been a shift in PNG's economic context to one of declining national revenues, which has led to major fiscal constraints for the PNG Government. Recent economic analysis conducted by Fox and colleagues (2017) reveals major growth and revenue challenges in the short to medium term. Their analysis shows that 'Government revenue after inflation has fallen 24% from its 2014 peak and is nearly back at the level it was 11 years ago, in 2006' (Fox et al. 2017:1). These reductions in national revenues have had an even more significant impact for declining public expenditure. This means that core services, such as basic education, have been squeezed in the budget, even more so due to recent increases in public servant salaries, interest payments and a sustained increase in Constituency Development Funds for elected Members of Parliament (ibid:1). This evidence suggests that the fiscal needs of the PNG Government to fund basic services have intensified, yet governance conditions for a budget support modality may have deteriorated at the same time.

##### Changes in Australia's development assistance context (2011–2016)

In 2010, working in partner systems was a key priority for the Australian Aid Program. Australia was a signature to international declarations on donor harmonisation (such as the Paris Declaration on Aid Effectiveness (2005) and Accra Accord for Action (2008). These international agreements were intended to make aid more effective by committing donors to prescribing to mutually reinforcing principles, such as ensuring country ownership, building more inclusive partnerships and working towards achieving shared development results.

Australia and PNG were also committed to providing aid through recipient partner systems, as outlined in the PNG-Australia Partnership for Development (2008), Cairns Compact on Strengthening Development Coordination in the Pacific (2009), and the PNG Commitment to Aid Effectiveness

(2010). These agreements acknowledged the fiduciary risks associated with working through partner systems and emphasised the need for joint approaches and modalities to strengthen systems for long-term sustainable development impact.

Australia's aid support for PNG's education sector increasingly sought opportunities to use GoPNG systems at the time the Delivery Strategy was designed. Considerable emphasis was placed on establishing a partnership approach to 'ensure leadership and ownership of GoPNG is respected and strengthened in delivering education services' (AusAID 2010: 34). In doing so, joint development and aid outcomes were established whereby 'Australia's contribution will be treated as one element of the overall resource envelope available. It will complement and strategically align with GoPNG resource allocations...' (ibid: 34). Of the three modalities established under the Delivery Strategy, the DFS most strongly associated with these key principles. This approach represented a deliberate shift away from project style aid that had characterised Australia's past investments in the education sector.

The DFS was broadly considered an affirmation of the context from when it was conceived in 2010. It represented the political aspirations of the PNG and Australian Governments to work in and strengthen partner systems. Australia also wanted to be a leader among donors in the education sector in PNG and the DFS represented a best practice approach at the time. In addition, for Australia, as the major donor to PNG's education sector, the start of the DFS represented a time of an expanding aid budget and an intense focus on improving universal basic education for all in line with Millennium Development Goal 2 through a sector-wide approach. More recently, however, donor budgets, particularly from Australia, have contracted and there has been a realignment of priorities from focusing on service delivery to economic engagement. The appetite for risk and working through partner systems has also changed over this time period. The review team considers that these factors have supported the notion that the DFS, as a modality, was driven by changes over time in political and economic contexts.

### **Changes in working through PNG government systems**

There were numerous studies commissioned by AusAID prior to 2010 that identified considerable financial risks and administrative bottlenecks to using PNG Government systems. Taken as a whole, the studies found that, 'while relatively sound systems and procedures are in place, the levels of compliance and capacity at all levels of government are weak.' (AusAID 2010: 17). These stated risks included a lack of transparency of government funds, weak oversight of budget allocations and expenditure management, slow disbursement of funds to service delivery front-lines, few internal audits conducted, as well as weak reporting and statistical capacity. In addition, the Delivery Strategy acknowledged that 'There has never been an in-depth capacity assessment of the national education system, however, there is general agreement that there are significant management challenges at each level.' (AusAID 2010: 22).

Despite the known challenges and risks to working through PNG systems, the DFS directly aligned with the core principles described in donor harmonisation agreements and represented contemporary development thinking on aid effectiveness. The DFS, as a budget support mechanism, was therefore regarded as the best 'tool' available for supporting PNG's education system at the time and in that context. Australia believed that by using GoPNG systems, opportunities for learning about inherent weaknesses and strengths of the system would be jointly understood by both partners. The Delivery Strategy assessed that the fiduciary risks of using PNG systems and procedures were greatly outweighed by the potential development benefits, which was an acceptable rationale for the use of budget support mechanisms at the time.

The total funding envelope for the DFS was set out in the education schedule of PNG-Australia Partnership for Development. Over the duration of the Delivery Strategy, it was expected that the percentage of Australia's investment to PNG's education sector through the DFS would gradually



increase while the other two modalities (SSP and CDF) would decline. The Delivery Strategy stated that an increase in 'direct financial support would be jointly agreed by the two governments and would be based on a demonstrated capacity of GoPNG to take on the responsibility and to meet agreed indicators of performance, achievement of financial disbursement targets and quality of financial / activity reporting.' (AusAID 2010: 38). In practice, however, the review team found that the DFS experienced difficulties with spending funds at the rate originally anticipated. As a result, donor funds provided to the DFS did not increase overtime as expected. This was mainly due to challenges with working through GoPNG systems, which are described throughout this report.

The Delivery Strategy also proposed to conduct annual assessments of public financial management capacity and procurement practices to inform policy and operational dialogue between GoPNG and AusAID. Where there weaknesses were identified, technical assistance through the CDF was supposed to be provided at national and/or provincial levels to improve the system. While this was a sensible approach to managing risks, the review team found little evidence to indicate that these assessments were systematically carried out on an annual basis in order to improve dialogue on strategies for strengthening public financial management systems.

### **Responding to changes in PNG government education policies**

During the implementation of the DFS, the PNG Government embarked on several major education reforms that significantly influenced DFS operations. The most relevant of these were:

- > The introduction of the Tuition Free Fee (TFF) policy, which commenced for all schools in 2011 (to year 10) and continued in 2012 (years 11 and 12).
- > A move from outcomes based education towards standards based curriculum in 2015. While progress has been slow, the target date for completion is December 2018.
- > The further decentralisation of development funds for capital and infrastructure investments in schools to provinces and districts (PSIP, DSIP).
- > A change in the language of instruction policy at elementary level from the vernacular to English.

These changing priorities of the PNG Government created a demand for DFS funding, mainly from NDoE because they were responsible for the policy implementation across the country. Designed as a flexible mechanism, the DFS in practice was able to adapt to support important aspects of these major policy reforms overtime, which ensured that it remained relevant and responsive to the needs of the PNG Government. Examples of DFS funded activities and programs that directly supported the implementation of these policies are as follows (refer to Annex 4 for further details of DFS funded programs):

- > Improving data quality through an improved Education Management Information System (EMIS), which has proved essential for providing more accurate numbers on student enrolments at schools so that TFF payments can be more fairly distributed based on need. (See Box 1 for details)
- > Providing funds for provincial and district standards officers to travel to schools to monitor their performance and provide reports to NDoE to improve information management systems.
- > Supporting the development of new curriculum under Standards Based Curriculum and contributing towards the development and production of English language learning kits, which were to be delivered to every elementary school in PNG.
- > Funding the Catholic Education Agency to lead the Parents for Quality Education Program, which aimed to inform parents and community leaders about the effective use of TFF funds and how to encourage schools to be transparent about their spending priorities.

This evidence demonstrates that support provided through the DFS was not static, as is often the case with project based aid initiatives. Instead, the DFS evolved and changed through direct policy

engagement and dialogue between NDoE and DFAT. The DFS was able to exploit reform opportunities and adapt to the changing education context over time. From the perspective of NDoE, the DFS was seen as the preferred way to support the education sector because it responded directly to their priorities. However, the review team also learnt that there were other views from the NDoE and some Australian officials, that the approach to support the education sector lacked focus, which may have linked its effectiveness (refer to section 3.2)

**Box 1      A DFS funded activity that was relevant and supported the TFF**

One of the major beneficiaries of the DFS was the ICT Division in NDoE, who used the funds received to help improve the EMIS database. In 2012, EMIS data collected from schools was perceived to be unreliable and it was rarely used within NDoE to inform decision making as intended. It was even claimed that in 2013 there were calls to radically alter and even replace EMIS with a new data collection system for the education sector due to inadequate collection of data and questions about its accuracy. From this low point, EMIS has improved substantially over the last five years where it is now seen as a model for data collection within the PNG Government.

Significant resources (partly funded under the DFS) have been invested into improving EMIS capabilities. For example, EMIS is used to capture data from schools, particularly enrolment figures, in order to calculate TFF subsidy payments. During the early implementation of the TFF, school census data (used to help calculate TFF subsidy payments based on enrolments) was carried out externally, and it was unable to provide an accurate bases for determining TFF disbursements to schools. Since 2014, the development of a TFF application to manage and maintain school records has led to significant improvements in the accuracy of EMIS data. This has helped NDoE to improve fairness and equity in TFF payments to schools. According to NDoE's ICT Division, in 2014 there were only 7,000 schools across PNG that were receiving direct TFF subsidies into their bank accounts, which equated to about 1 million students that benefited. In 2018, there are close to 11,000 schools that are receiving TFF subsidies, which may roughly equate to almost 2 million students. This is a substantial improvement over a short period of time and certainly contributes towards one of the original stated intentions of the DFS, which was to improve equity in ensuring all schools have funds available to provide basic education for all students.

More broadly, EMIS data is now regularly used for policy and planning documents in NDoE. In 2015 most of the data used for PNG's National Education Plan was derived from EMIS. In addition, EMIS data is now been shared as a source of information for the National Statistics Office, National Research Institute, National Economic and Fiscal Commission, DNPM and the National Parliament due to greater confidence in its accuracy. Future improvements in EMIS will allow for the validation and detection of inflation of school enrolments, including identifying other inconsistencies over time.

**3.1.2      Relevance of DFS support for provincial, district and school levels**

**Key finding 2: The DFS underestimated capacity constraints of provinces, districts and schools to expend, acquit and report on donor funds received.**

It is reasonably clear that DFS initiatives, such as strengthening EMIS, remained relevant for national level education priorities. However, the DFS struggled to provide direct support for the education priorities of provinces, districts and schools in the same manner. Rather, DFS funds directed to sub-national levels diminished overtime and became less relevant for supporting decentralised service delivery priorities in the education sector.

One of the original intentions of the DFS was that it would work across the education sector and at each level of government (national, provincial and local) to schools. Initially, the DFS was supposed to provide most of its assistance to basic education (60 per cent), which meant it was originally focused on helping to support direct service delivery. This included delivering school grants and providing support for provincial and district education functions. The review team was consistently told that it was a challenge for provincial and district voices to be heard under the DFS. This was not the original intention of the DFS as outlined in the Delivery Strategy, which stated that 'AusAID recognises the need to work within the framework of the decentralised sector management.' (AusAID 2010: 36). It was anticipated that DFS support would be provided to sub-national levels in recognition that important education functions are decentralised to provinces, districts and Local Level Governments (LLGs).

Early into the implementation of the DFS, AusAID co-funded subsidy payments to elementary schools as part the TFF. It was widely believed by Australian officials, however, that these funds went into a vacuum because transparent systems and processes were not yet established. These payments were made to some very remote schools across PNG where there was little capacity or knowledge on how TFF funds should be managed and accounted for once received. One former DFAT posted officer mentioned that during joint inspection visits to elementary schools at the time, head teachers 'did not even know that a TFF manual existed'. As a result, it was believed that most schools were unable to effectively report on or acquit these funds. The review team found that AusAID underestimated the risk of schools experiencing difficulties with managing and acquitting their subsidy payments under the TFF. The Delivery Strategy stated that:

School grant funding has been assessed as one of the strongest areas of public financial management and by using this national system AusAID support will contribute to a critical development objective while strengthening the use of the system through TA (technical assistance) and dialogue, focusing on system strengthening objectives. (AusAID 2010: 38)

Clearly, in practice, schools managing their own funds directly received under the TFF had difficult beginnings, which according to NDoE, still persists today, especially for schools in remote locations. Even in discussions with the National Department of Finance, they sighted that by far their major priority in education sector is getting funds into school bank accounts under the TFF policy, and ensuring they are monitored (an NDoE responsibility).

DFS funds were also directly distributed to provinces as per the original intentions of the Delivery Strategy. In 2011, K100,000 was placed in all provincial trust accounts (21 at the time). These funds were allocated to provinces to support them to implement their minimum priority activities, which for the education sector, includes the supervision of schools, delivery of essential materials (like exercise books and teaching aids) and the operation of the district education offices. Current and former DFAT officers were adamant that on reflection, it was naïve and overly ambitious to disperse donor funds to provinces until rigorous capacity assessments had been carried out. While most acknowledged that the intention to work at provincial levels was praiseworthy, ultimately it was short sighted.

High staff turnover in provinces made it very difficult to track the K100,000 placed in these sub-accounts. Subsequently, much time and effort was devoted to trying to understand what happened to these funds by DFAT officers and managing contractors, with an audit report showing mixed results. It took a further six years for all provincial accounts to be closed. One former DFAT posted officer commented that 'Provincial authorities were not aware of what they were signing up to with \$100,000 delivered to them under the DFS'.

These challenges to managing direct DFS support to provincial and school levels created a reluctance for the DFS to work at subnational levels as the risks were too great. The DFS became less relevant to the needs of provinces and schools overtime, which contributed to shaping Australia's

views about risk. Consequently, the DFS mainly focused on national level priorities as determined by NDoE.

## 3.2 Effectiveness

This section examines the extent to which the DFS contributed towards strengthened public financial management systems, whether the DFS supported improved education service delivery and the major factors that influenced progress towards these ends. It should be re-emphasised that this review did not assess the impact of the DFS funded programs and activities, or how it contributed towards the achievement of core objectives outlined in the Delivery Strategy as a whole. Instead it focussed on identifying key findings and forward-looking lessons learnt about the effectiveness of the DFS as a stand-alone modality.

A summary of key effectiveness findings from the review are:

- > The DFS strengthened NDoE staff capabilities in financial administration and use of GoPNG systems, but there is uncertainty whether this capacity will be sustained.
- > The DFS did not work in close alignment with the other two modalities set out in the Delivery Strategy as intended, which lessened its potential impact.
- > The DFS modality provided PNG and Australia with strong and diverse entry points for policy engagement.
- > The DFS filled gaps in PNG's education budget, which contributed towards key education policy priorities at the time.
- > DFS monitoring and evaluation was weak and unable to explain Australia's contribution towards, or DFS influence on, improvements in partner systems and education policy, planning and service delivery.
- > The DFS required a longer period to reach its potential and strengthen partner systems.

### 3.2.1 Key assumption tested

The DFS modality assumed that the 'learning by doing' approach would strengthen partner systems. The review team found that the DFS introduced an ambitious modality, which showed that working in partner systems can contribute to strengthened systems, processes and activities. Rather than a traditional capacity building model, the use of an oversight contractor, embedded within the NDoE, modelled a 'learning by doing' approach to ensure that government systems were used correctly and appropriately. The review team found considerable evidence to suggest that staff capabilities were strengthened in the use of these systems, although there is insufficient evidence to make a reasonable judgment about whether this will be sustained over time.

There is less evidence to conclude that the DFS effectively supported improved education service delivery. This is, in part, recognition that the DFS may have better achieved its potential by working in closer co-ordination with the other two modalities set out in the Delivery Strategy. Weaker than anticipated monitoring and evaluation systems made it very difficult to determine if positive change was evident. Overall, the review team found that the DFS required a longer period to maximise potential benefits and sustain changes in attitudes and behaviours to strengthen partner systems over time.

### 3.2.2 Key findings (effectiveness)

**Key finding 3: The DFS strengthened NDoE staff capabilities in financial administration and use of GoPNG systems but there is uncertainty as to whether this capacity will be sustained.**

The review team found that the DFS modality was an effective form of capacity building in terms of strengthening the public financial administration capabilities of NDoE staff, although it is less clear if capacity will be sustained without a DFS style mechanism in the future.

Senior NDoE management consistently stated that the DFS had contributed towards more scrutinised and transparent funding arrangements, which applied to both donor and GoPNG funds. Senior NDoE management observed improved administrative practices during the implementation of the DFS, particularly in terms of following agreed guidelines, producing budget reports, bank reconciliations, and asset management records. The DFS also helped NDoE to coordinate internally, particularly in regards to prioritising programs and activities funded from its own budgets.

Crucial to developing this stated capacity was the central role of the oversight contractor who enforced existing GoPNG standards, in order to access DFS funds. The oversight contractor managed this by establishing a stable team and building strong and productive relationships within NDoE. Their focus was on mentoring and explaining processes to divisional officers, which helped to facilitate access to and expenditure of funds, as well as improving acquittal processes. For instance, one experienced NDoE officer expressed a commonly held perception that the oversight contractor 'was amongst us (in the department), working with us every day... We wanted to change. And when the arrangement (the DFS) was in place we learnt a lot.' Similarly another senior NDoE manager stated that 'In fact, we took a lot of ownership (referring to the DFS) and a lot of capacity and confidence building... My officers would feel more confident in the processes now.'

**Box 2 The DFS improved capacity for NDoE officers to access funds**

The AOF process provided the opportunity for NDoE officers to improve their capacity to access funds through the DFS and PNG government development budgets (The Public Investment Program managed by DNPM). The DFS helped to strengthen the PFD process, and as a result it was widely believed that the quality of PFD submissions improved. NDoE officers became better aware of the requirements for a successful PFD proposal through the AOF process. The oversight contractor built staff capacity to prepare higher quality submissions to meet evaluation criteria and policy objectives needed to access funding for specific initiatives. The improved capacity of NDoE officers encouraged them to initiate similar proposals to access PNG government funds, not just DFS funds. For example, the review team heard about one experience where an NDoE officer used the PFD submission process to successfully access PNG government funds for the development of centres of excellence. The receipt of K25 million for this purpose and demonstrated the successful application of capacity building to make effective use of government systems to meet policy objectives.

Perceptions were mixed on whether the capacity developed within NDoE from using the DFS would likely be sustained in the future. Some sighted evidence that key NDoE officers involved in the DFS were promoted, particularly within the budget and financial management area while others believed that it was not clear whether the capacity built had been fully institutionalised. Other views cited suggested that these improved use of GoPNG systems within NDoE was at odds with the practices of central agencies, such as the Central Tenders and Supply Board (CTSB), making broader sustainability more difficult. Perhaps the lasting institutional change from the DFS was the improved compliance on acquittals. For NDoE, mandatory pay deductions for non-acquitted expenditure is still in place.



**Key finding 4: The DFS did not work in close alignment with the other two modalities set out in the Delivery Strategy as intended, which lessened its potential impact.**

Broadly speaking, the review team found that the Delivery Strategy's intention to work in close co-ordination and be complementary to the infrastructure and procurement (SSP) and capacity development (CDF) modalities did not transpire as planned. This in turn, did limit the effectiveness of the DFS as a strategic modality designed to assist the education sector.

Although all three modalities had their initial teething problems, the DFS was the first to begin implementation even though it was the most ambitious and complicated funding modality. Compared to the DFS, the other two modalities sat outside GoPNG systems and were managed by contractors, which meant they were less visible to NDoE. The review team was told that as a result, the other two modalities struggled to work in close alignment with the PNG Government's policies and plans for the education sector. A consistent message from former DFAT posted officers, and NDoE staff directly involved in the implementation of the DFS, was that they believed it was the most successful of the three modalities. Although the DFS required complimentary assistance to reach its potential, it had the highest visibility for Australia and PNG and, the greatest potential to make a difference.

During implementation the proposed, complimentary between the three modalities was rarely evident or aligned to implementation at a strategic or operational level. For example, while the DFS was able to link education managers and advisors at national and provincial levels through financing annual education conferences, there was no way of knowing if these events met the needs of the PNG government. One former DFAT posted officer summarised these sentiments well by stating that 'If it (DFS) worked better with the other modalities over a longer period of time, the DFS could have had a huge transformative effect... the principles made sense and the concepts made sense but the way the three modalities were implemented was generally flawed'. The review team agrees that while a worthy principle, the intention to link the three modalities operationally was too ambitious and time and resource intensive.

**Key finding 5: The DFS modality provided PNG and Australia with strong and diverse entry points for policy engagement.**

As envisaged under the Delivery Strategy, the DFS modality did 'provide entry points for policy and operational dialogue' (AusAID 2010: 12). Both partners acknowledged that relationships were tense at times, particularly in terms of disagreements about priorities for funding under the DFS. In general, however, the review team found broad agreement that genuine partnerships and goodwill was built between DFAT and NDoE and this created policy engagement opportunities for the Australian and the PNG Governments.

The DFS bought Australia, as the donor, a seat at the table where they were able to strategically engage with the PNG Government and influence policies and activities to be funded. In addition, the DFS provided greater opportunities for collaboration and DFAT staff became aware of the strengths and weaknesses of NDoE through their regular engagement. This enabled strong entry points for policy engagement for senior management from both partners.

From the perspective of NDoE, the DFS was the preferred way to support the education sector when compared to other donor programs because it responded directly to their priorities. In terms of sustainability, and without a similar mechanism in place in the near future, strategies to maintain close relationships between both partners may require the trialling of different approaches and incentive structures.

The review team could not find consistent evidence that the opportunities provided through the DFS for the strategic policy engagement were fully realised by both partners. For some in the NDoE, the AOFPP was merely an assured mechanism to bring their 'shopping list' of needs to the table. Other more senior officials saw the DFS as providing a more collaborative approach with Australia as a

development partner, which empowered NDoE officers to make programmatic decisions on donor funding priorities. The review team found limited evidence, apart from documentation from the early stages of implementation that suggested that policy influence occurred even when there was significant push back on PFDs assessed as being outside of the joint priorities agreed to under the AOF. Australian officials were often consumed by operational management issues, such as responding to acquitted DFS funds and, consequently could not engage in policy dialogues as intended. The review team also recognises that when circumstances changed (refer section 4.1) including shifts in key senior personnel at NDoE, policy engagement became even more difficult to achieve.

**Key finding 6: The DFS filled gaps in PNG's education budget, which contributed towards key education policy priorities.**

In general, the review team found strong evidence to suggest that the DFS filled important gaps in NDoE's budget. However, it was less certain that DFS funded programs and activities contributed towards the overall effectiveness of improved education outcomes. Essentially, the DFS was perceived as a mechanism that 'plugged gaps' in budgets not funded by GoPNG. This meant the DFS broadly funded programs and activities across divisions in NDoE.

Based on records provided by the oversight contractor, actual expenditure of DFS funds was much slower than expected. For example, while not providing a complete picture of DFS spending, Table 1 shows that in the financial year ending 2013, only 68 per cent of DFS allocated budgets were expensed, which was significantly higher than in 2015, when less than a quarter of allocated DFS funds were spent. Slow spending limited the capacity of the DFS to support more activities that could have contributed towards the broader goals articulated in the Delivery Strategy and Performance Assessment Framework.

**Table 2 Comparison of total DFS allocations and expenditure 2013 and 2015**

Year	Total Allocation	Total Expenditure	% budget spent
2013	K42,424,100	K28,659,205	68
2015	K34,721,007	K8,412,147	24

*(Note: Figures are provided for other financial years the DFS was in operation)*

Despite this, the DFS enabled the filling of important policy gaps that meet national education priorities and strengthened planning, through the AOF joint planning mechanism and PNG's PFD process. As one PNG official commented, 'actually, the money went directly to the activity we wanted to do.' The review team found that DFS outputs, although seen as 'scattered', nonetheless did fulfil particular needs in the education, which contributed towards efforts to meet the Millennium Development Goal targets in education. Slow DFS expenditure and weak monitoring and evaluation systems within a decentralised service delivery context limited DFS effectiveness as a whole.

**What did the DFS achieve to support education policy at the time of DFS implementation?**

This section documents DFS outputs that contributed to the PNG Government's policies as articulated through the National Education Plan (NEP) and Universal Basic Education plan (UBE). Annex 4 of this report contains a 'best efforts' list to describe DFS outputs.

### Improved access

As discussed in section 3.1.5 (Box 1), the DFS supported effective TFF implementation. Many informants saw this as a key system-strengthening outcome that would help provincial governments plan to meet future school infrastructure needs.

### Improved quality

Efforts to improve system quality were evident in DFS funding for teacher pre-service training, the ongoing professional development of teachers, and the monitoring of quality standards in schools and curriculum reform. Specific examples include supporting Pacific Benchmarking for Education Results in 2013 and providing funding for the development and printing of new Standards Based Curriculum English language kits for every elementary school in PNG.

#### Box 3 English language kits for elementary schools

The DFS supported the development and printing of English language kits for elementary schools through the Volunteer Services Organisation (VSO), in its role as a delivery partner for NDoE. The kits were designed to support the new standards based curriculum, which was introduced in 2015. This was seen by most as a valuable use of DFS funds as it focussed on providing support to improve literacy standards. As one NDoE official remarked the 2015 PILNA results 'were alarming for us' as only 23 per cent of students met or exceeded expected literacy levels at year 5.

The English language kit consisted of a syllabus, teacher's guides, 16 readers, handwriting cards, reading and comprehension activities, phonics CD and an SD card. VSO worked with NDoE's Curriculum Division to prepare, review and develop these materials. The DFS also funded the printing of the materials provided in these kits and provided some funds for their distribution to selected provinces and schools. From all accounts, these high quality kits were believed to meet the needs of elementary schools.

The material distribution practices used by the NDoE through government and DNPM funding and a misunderstanding about Australia's role compromised the distribution of the kits across PNG. . While there is evidence that these kits were received by some elementary schools, it is unlikely that these kits have reached all elementary schools in PNG and it is unknown if elementary teachers were provided training in the use of the kits.

In 2011 a needs assessment of the Technical Vocational Education and Training (TVET) sector was completed and several small-scale initiatives, such as leadership and management training, through the International Education Agency of PNG (IEA), was funded to improve quality in the sector. The review team was unable to determine the degree to which these efforts collectively enabled parts of the system to focus on working towards improving education quality as a whole.

### Improved equity

The DFS provided effective support for visually impaired students through the purchase of high quality equipment and its maintenance, training and the purchase of special paper.



**Box 4 Providing support to the visually impaired**

Another example of a positive DFS impact was the purchase and installation of the braille machines, to support special needs across the whole education sector. DFS assistance for this activity commenced in 2015 and required NDoE officials to plan and manage a whole activity cycle from submitting PFDs, initiating procurement actions, ensuring deployment and functional usage. The end result was that high quality Braille machines were imported into PNG. They were deployed at four centres across PNG (Rabaul, Mt Zion (the Measurement Services Division) and the PNG Education Institute), each playing an important role in the reduction of barriers for visually impaired students. Some centres provided further training for other centres, one is a multipurpose facility and another services higher education students.

DFS funds also paid for the training of staff in the use of the machines, the purchase of expensive braille paper and the maintenance of equipment. Equipment maintenance required international technical assistance. This support is highly valued by the NDoE as recurrent budgets are not able to support disability provision and procurement processes are extremely difficult to navigate in PNG through the Central Supply and Tenders Board. While this was a successful result for the DFS, there are now concerns from NDoE officials about the sustainability of these machines, without external financial support’.

However there was no evidence available to the review team to suggest that the DFS supported broader DFS disability provision or that any of the DFS sponsored activities to meet gender targets articulated under priority 1 education (AusAID: 2014) were achieved (Edwards: 2015).

**Strengthened capacity building**

The DFS did support capacity building in a range of disparate areas that responded to AOFPP identified needs. These included partnership and advocacy work with delivery partners, such as the church organisations, formal leadership training and even capacity development in the use of improved EMIS systems for NDoE staff. The review team could find little evidence to assess the effectiveness of the capacity building of staff and systems, outside of strengthening financial management systems as a whole, with the exception of improved EMIS and ICT systems. This is in part because of weaker than expected M&E practices used by the DFS, with the exception of some partners, such as VSO, to monitor progress against baseline.

**Key finding 7: DFS monitoring and evaluation was weak and unable to explain Australia’s contribution towards, or DFS influence on, improvements in partner systems and education policy, planning and service delivery.**

The Delivery Strategy articulated a comprehensive range of monitoring and evaluation platforms to measure outcomes. The review team found that for most of DFS implementation, existing monitoring and evaluation (M&E) systems were collectively too weak for the DFS approach to work effectively. Instead, better coordination and implementation of these intended measures and regular reviews of their effectiveness, was needed to be in place from the outset. If this had occurred, a more robust M&E system may have better been able to quantify and explain results. In turn, this would have helped the Australian aid program to identify and measure its contribution towards achieving education outcomes and system strengthening objectives.

While a Monitoring and Evaluation Framework (MEF) was prepared under the Delivery Strategy (AusAID 2010: 59–64), it was expected that this would be refined and strengthened during the first two years of operation and incorporate a baseline study. Separate M&E frameworks for each of the three modalities that would include tangible data to inform GoPNG priorities (from UBE and

presumably NEP), were to be developed. There was a clear intention not to create additional data burden for partners and to use existing government systems. This in turn would strengthen the M&E systems of the partner. This approach was 'best practice' at the time of DFS implementation, although the attribution of specific donor contributions was acknowledged as being 'near to impossible' (Molenaers: 2012: 794).

The original intention was that the MEF and the Performance Assessment Framework would monitor all activities under the Delivery Strategy, jointly with NDoE. This recognised the mutual and unique needs of each partner and that practical monitoring and periodic evaluations were needed (AusAID 2010 :49). The school census and other PNG Government Departments (NDoF and DNPM) would provide budget and expenditure reports to help guide and monitor Australia's support to the education sector. Together with the AOFP process and regional consultative forums, this would provide sufficient detail for M&E purposes.

The review team was unable to determine if SSP or CDF developed and used separate MEF's from 2012 to 2016. Even if they were in operation, their effectiveness would have been limited by working separately from the DFS. While joint monitoring activities between NDoE and DFAT were well regarded, they were discontinued from 2013 onwards, which contributed to a diluted emphasis on M&E and learning overtime. As one NDoE officer explained, this created tensions in the relationship and shifted emphasis away from monitoring: 'don't just put money (in) and walk away. It (DFS) was open and transparent for us. When you come with (us) you can see that it is making an impact.'

Importantly, the review team found evidence that in practice the DFS lacked focus and may have been 'overburdened with too many agendas'. This is consistent with the international literature on earmarked budget support and working in partner systems (Molenaers: 2012: 804). Without an effective M&E system in place, the realignment of strategy could not have occurred. While M&E systems were progressively strengthened (EMIS and improved ICT capability) through DFS support, this came at the back end of the DFS investment period, and despite their strengthening, they may have still been too weak to accommodate the complex structure articulated in the Delivery Strategy.

There was considerable evidence that both Australia and PNG made efforts to strengthen M&E. The review team was informed that the DFS tried without success, to complete an impact assessment of the school subsidies program to determine if student-learning outcomes were evident. While Australia did review their M&E needs under the DFS, advisory support came too late and proved to be ineffective as it did not meet Australia's needs. NDoE also recognised their need for a functional M&E system but were unable to fill positions within their Policy and Research Division. In hindsight there was a clearly a need for a long-term M&E advisor to be embedded in NDoE, but also for permanent M&E officers to fill positions within NDoE. The review team concludes that these measures would have strengthened capacity to monitor progress and therefore contribute towards improved evidence based planning in the education sector.

### 3.2.3 Other findings

#### **Key finding 8: The DFS required a longer period of time to reach its potential and strengthen partner systems.**

Consistent with the international literature, the review team found that the DFS needed longer time frames to strengthen partner systems. While the DFS represented the political aspirations of the PNG and Australian Government's to work in and strengthen partner systems, Australia also wanted to be a leader among donors in the education sector in PNG.

Both DFAT and NDoE officers acknowledged that it took a long time to fully understand the processes and systems put in place by the DFS. There was evidence of progress in some areas, but for it to be sustainable, a lot more needed to be done over a longer time period. For instance, it was believed

that planning and budgeting within NDoE improved over the life of the program, but expenditure of funds, monitoring and evaluation and reporting showed less improvement. A related, but probably unintended outcome, was that NDoE officers became better educated about using their own systems. There was evidence of more stability in NDoE as a result of DFS and longevity of support may have produced better outcomes. For example, there was greater maturity in the quality of conversation about education priorities in PNG with the donors.

### 3.3 Efficiency

This review assessed the efficiency of the DFS mechanism in terms of its achievements relative to the investments made and whether the DFS was efficiently administered as a modality. A summary of key efficiency findings from the review are:

- > While there were significant challenges to administering the DFS using PNG government systems, these were identified and addressed throughout the implementation of the program
- > DFS accounts were suspended because of outstanding acquittal issues and incidents of fraud and this in turn, created inefficiencies in providing needed support to the NDoE.
- > The DFS resulted in high transaction costs for the donor and partner government, which took the form of intensive process driven management between NDoE and DFAT, as opposed to strategic policy engagement.
- > Greater attention should have been paid to tracking improved capacity in partner systems overtime and identifying the most important aspects of the system to develop.
- > The DFS did provide value relative to the investment made, although the costs of implementation were high.

#### 3.3.1 Key assumption tested

One of the key assumptions tested by the review team was that the DFS would be an efficient way of both developing partner systems and improving service delivery in the education sector of PNG. Overall, the review team found these aims of strengthening PNG systems and contributing to education outcomes were not fully realised under the DFS. These dual yet complimentary objectives were difficult to balance under the DFS, as strategic policy engagement on improving education outcomes often became a secondary focus to systems strengthening.

In retrospect, there was a need for a greater focus on particular aspects of strengthening the education system to demonstrate results and gradually build support for broader sector-wide budget support for the whole education system. In particular, more attention could have been given to ongoing assessments of partner systems capacity before external donor funding mechanisms were introduced.

#### 3.3.2 Key findings

**Key finding 9: While there were significant challenges to administering the DFS using PNG government systems, these were identified and addressed throughout the implementation of the program.**

The review team found that there were significant challenges in using PNG's public financial management systems. It is clear that at the time of implementation, these systems were found to be cumbersome and inefficient, which exposed the DFS to potential and actual fraudulent activity and, limited expected expenditure flows. However, the review team was informed of many examples where these challenges were identified, acknowledged and managed throughout the life of the program.

The challenges to implementing the DFS using PNG systems and procedures varied and reflected the public financial management information systems used at the time of implementation. For example, the process for accessing and spending DFS funds was long and process-driven. In particular, PFDs submitted to DFAT were scrutinised and required additional approvals, which caused frustrations and delays for NDoE and DFAT officers. Another constraint for the DFS was working through partner financial management systems. The PNG Government Accounting System (PGAS) made it difficult to produce satisfactory reports and acquittals that met donor standards. PGAS was a paper based financial management system that was not suitable for DFS system strengthening priorities. This meant that the DFS oversight contractor had to use their own financial processes (quickbooks) to produce monthly reports on DFS spending for DFAT. Based on in-country consultations, the review team believes that the recent transition to the Integrated Financial Management System (2015) is a more appropriate mechanism for the DFS if it were currently operational, especially in terms of accountability and reporting.

The review team found that most informants expressed a positive view about the impact of the oversight contractor in addressing the above-mentioned challenges. As the oversight contractor was embedded in NDoE, they were able to provide effective oversight and management of DFS funds in compliance with PNG's PFMA and donor requirements. When the DFS was initially established, the review team heard of many instances where NDoE officers believed the DFS was enforcing Australian donor standards, when in fact they were PNG's own PFM requirements. Overtime, there was an acceptance that the DFS was reinforcing PNG budget and financing requirements to access funds. For example, the oversight contractor mentored staff on improving the quality of PFDs and created checklists for acquitting funds after activities were completed. As a result, there was a direct transfer of strengthened capacity between DFS and GoPNG systems since the processes used were very similar.

#### **Box 5      Transforming PNG's public financial management system? PGAS – IFMS**

The PNG Government Accounting System (PGAS) was widely considered to be an inefficient public financial management system and not suitable for a budget support modality, like the DFS. NDoE budget and finance officers and key technical advisors told the review team that PGAS was an out-of-date system developed in the 1980s. It was largely paper and text based, with poor internal controls. Most aspects of the public financial management cycle were weak under PGAS, including budgeting and accounting, verification, controls on expenditure, reporting and acquittals. These same respondents claimed that as a result, data often went missing and the system was open to fraud. Several respondents believed that the DFS design, as articulated in the Delivery Strategy, lacked a comprehensive enough understanding of the inherent weaknesses in navigating PGAS. As remarked by one very experienced long-term advisor '... in 2010, with all the available improvements in information technology around, I thought the DFS was always going to struggle to work through the (PGAS) systems'.

Over the last few years, PNG has started to roll out the Integrated Financial Management System (IFMS), which is a modern, mainly electronic, government financing and accounting system. Internal controls on expenditure are strong, as are preventative and detective controls in terms of tracking who did what, when and how it was done. For example, with IFMS, approval documentation for particular programs and activities can be scanned directly into the system, which makes it more efficient and effective. So far, IFMS has been rolled out to national government departments but not to provincial and district administrations (except for East New Britain).

For NDoE, the transition to IFMS began in 2015 after much of the DFS was implemented. NDoE officers spoke positively about the new system, stating that 'IFMS has been picked up well and improving our capabilities (in financial management)'. One technical advisor said that '... an

example of the implications of IFMS is that bank reconciliations now take 15 minutes as opposed to a month under PGAS.' All this means that working in partner systems today would provide for a very different context compared when the DFS was established under PGAS in 2010. IFMS may have the potential to change the nature of engagement for donors to use a budget support modality, since there is potential for public financial management systems to be made stronger, more robust and sustainable in the long term.

**Key finding 10: The DFS resulted in high transaction costs for NDoE and DFAT, which took the form of intensive process driven management between donor and partner government, as opposed to strategic policy engagement.**

One of the assumed benefits of a budget support modality is that it is supposed to lower transaction costs for the donor and partner government (Lawson 2009; Ashford and Biswas 2010). In the case of the DFS, however, the review team was told that transaction costs were higher than initially anticipated.

There was broad consensus that the DFS was implemented differently to how it was initially designed. In practice, providing budget support and working in partner systems meant that a huge investment of staff time was required from the donor (Australia) as well as the recipient (PNG). All former DFAT staff working on the DFS spoke about needing to invest their time in process, which included following up cheques and ensuring funds were acquitted. One former DFAT posted officer said: 'I often spent my time at NDoE getting involved in the very fine details... it is questionable whether this should have been my role'. As a consequence, it meant that time committed to discussing strategic policy engagement and education outcomes became a secondary focus.

One of the positive consequences of these high transaction costs was that DFAT gained important insights into NDoE, and more broadly GoPNG systems and processes. This was also true for NDoE staff, who better understood donor circumstances as a result of this close engagement. At the time, it was possible for DFAT to commit staff to focus almost all their time on the DFS, as it was acknowledged that this was good for relationship building with NDoE. It is, however, highly questionable if this type of arrangement could be sustained in the current DFAT context.

**Key finding 11: Greater attention should have been paid to tracking improved capacity in partner systems overtime and identifying the most important aspects of the system to develop.**

A thorough assessment of public financial management capacity, especially in regards to expenditure and reporting, should have been required before external donor funding was introduced to the PNG government.

The DFS focused on improving systems and processes around PNG's development budget. As previously discussed, this involved NDoE developing PFDs, similar to all other government departments, which were collected and approved internally within NDoE before they were presented to DNPM for consideration under the Public Investment Program (a major component of PNG's development budget). The review team heard that this was a notoriously competitive, lengthy and difficult process to get approval for PFDs. Even if PFDs were approved and allocations appeared in DNPM's development budget, there was no guarantee that these funds would be available the following financial year to begin implementation. There was a broadly accepted view within the NDoE that despite stricter approval processes and requirements for spending, accessing DFS funds were preferable to GoPNG systems. The main reason given was that assured funds being available under the DFS stood in contrast to GoPNG systems. For this reason, accessing funds through the DFS was preferable for NDoE divisional officers because they knew funds would be available for their programs and activities if approved.



Now that PNG is operating in a context of tight fiscal constraints, as described in section 3.2.1, several NDoE officers consulted as part of the review believed that it was not worth their time or effort to submit PFDs to secure funding through government systems. Therefore, it is questionable whether working in this part of PNG's public financial management system was the right option for the DFS to strengthen.

### 3.3.3 Other findings

**Key finding 12: The DFS did provide value relative to the investment made, although the costs of implementation were high.**

One of the original intentions of the DFS was to build strong GoPNG ownership through providing a flexible mechanism that complemented NDoE's existing budget and safeguarded donor funding. Broadly, the review team found evidence that these objectives were partially met through the management of the DFS.

The oversight contractor, embedded in NDoE, provided effective oversight and management of DFS funds in compliance with PNG's PFMA and donor requirements. When the DFS was initially established, the review team heard of many instances where NDoE officers believed the DFS was enforcing Australian donor standards, when in fact they were PNG's own PFM requirements. Overtime, there was an acceptance that the DFS was reinforcing PNG budget and financing requirements to access funds.

NDoE had strong ownership over the DFS because it directly responded to their priorities in a flexible manner using their own systems. As discussed, the DFS was seen as a mechanism that 'plugged gaps' in NDoE budgets. Therefore, DFS funding, as it was originally conceived in the Delivery Strategy, supported complementary activities rather than stand-alone programs. For Australia as the donor, providing aid funds through this particular type of funding modality makes it difficult to assess the direct impact of its investments. Any type of value for money assessment of the DFS would only be possible with broader consideration of NDoE related expenditure as well.

Overall, despite initial challenges with its establishment, the DFS was valued, accepted and owned within NDoE. The support provided through the DFS was not static, but evolved and adapted over time through direct policy engagement and dialogue between NDoE, DFAT and the oversight contractor.

### 3.3.4 Lessons learned

#### **A smaller and targeted approach**

The DFS could have benefited from starting smaller, focusing on particular reform initiatives and building stronger monitoring and evaluation systems to inform ongoing implementation. There was a commonly held view that the DFS tried to do too much too quickly, both in terms of its support to strengthening public financial management systems and achieving education outcomes at the same time. Both DFAT and NDoE agreed that the parameters surrounding what was to be funded under the DFS were too broad. As discussed in Section 3.2, this contributed to the perception that programs and activities were too scattered across NDoE, which made it difficult to directly attribute and measure impact in terms of value for money outcomes. This put pressure on Australia, as the donor, to report on what was achieved under the DFS relative to the investments made, which can be difficult when using a budget support modality.

In retrospect, working at a smaller scale with specific focus on key areas of reform may have been a preferential option. This would have allowed the DFS to demonstrate success overtime and provide a

model for how budget support could work at a broader sector-wide scale. It was widely suggested that key priority projects or pilot activities could have been conducted and, case studies used to monitor progress and improve reporting. In time, such an approach could have attracted more donors operating in PNG to work in partner systems.

### **Working in partner systems**

It is clear to the review team that the DFS required a longer period to maximise potential benefits and sustain changes in attitudes and behaviours to strengthen partner systems. The role for an 'oversight contractor' embedded within a system to safeguard Australian funds, prevent potential for fraudulent activities and provide system strengthening support is vital for any earmarked budget support modality. An alternative could be the use of a Project Management Unit with embedded contracted staff in NDoE to fulfil a similar role.

The DFS may have better achieved its potential by working in closer co-ordination with the other two modalities set out in the Delivery Strategy. For example the recruitment of a procurement advisor may have assisted reducing bottlenecks for DFS funded programs and activities. The recognition of the roles of central agencies in working in partner systems required stronger consideration. Building in mechanisms to manage these blockages are essential if line ministries are able to fulfil their role effectively. Another option therefore is to strengthen procurement provision within NDoE so that they can work more effectively with central line agencies.

### **Monitoring and evaluation**

Once it became clear that it was becoming hard to collect data at an output level, given the capacity constraints within the system, Australia could have followed through with its intention to develop an alternative M&E approach to monitor the DFS. Greater consideration to supporting and strengthening the M&E systems at the start of DFS implementation was needed given acknowledged capacity constraints of Pacific countries (Cassidy 2006: 510). In retrospect, both the ICT infrastructure and the NDoE M&E division needed to be strengthened in lock step. Stronger and better-coordinated M&E may have allowed for a stronger focus on strategic engagement of the education policy context by:

- > Concentrating efforts at the national level to build their capacity to enhance and develop M&E through their own system;
- > Mandating annual strategic joint monitoring missions between NDoE and DFAT for policy engagement purposes, which could have also leveraged the relationships built;
- > Establishing a discrete and longer term strategic focus for investment with M&E tied to those objectives and processes that are unambiguous, uncomplicated and connected;
- > Ensuring that the impact level or end of program evaluation tells the story of the program in conjunction with all of the elements described in the partnership;
- > Considering establishing a separate programmatic MEF that draws on government systems for data, even though this is in contradiction to harmonised approaches.

The strategic implementation of some or all, of these approaches, may have led to a strengthening of M&E systems to manage so the complex range of data sought through the Performance Assessment Framework.

### **Key recommendations**

The following recommendations provide policy makers with considered advice if a working in partner systems or budget support approach was to be implemented in PNG in the future. While these recommendations are most relevant for the education sector, they could also be applicable for other

sectoral programs. It is important to note that careful consideration be given to overall political economy environment context that needs to be taken into account should these recommendations be applied elsewhere.

**Recommendation 1: The time and context must be ‘right’ for both donor and partner government**

Choosing the right time and context for the donor and partner government / agency is perhaps the most important consideration in determining whether providing budget support to strengthen partner systems should be a modality of choice. In a time of declining aid budgets and constrained fiscal circumstances, there is much scrutiny as to whether aid funds are effectively utilised, which could prove difficult for budget support type approaches to be adopted in the short – medium term.

Ironically, when the DFS began implementation in 2011, the time and context better suited Australia given its commitments to donor harmonisation agreements. However, it was less suitable for the PNG Government, since it was experiencing a sustained period of fiscal expansion. Now the DFS has ended, the time and context for a budget support modality is probably better suited for the PNG Government given its current fiscal constraints, even though key governance indicators have deteriorated. Other contextual factors that can impact time and context were:

**Table 3** Changes in time and context

DFS (2011)	DFS (2016)
PGAS – inefficient and unsuitable paper based system for system strengthening; poor acquittal practices and incidents of fraud.	IFMS – greater accountability and transparency as a PFMA tool; mandated acquittal processes.
Best practice aid approaches included budget support to work in partner systems to improve donor harmonisation.	Strategic and targeted engagement to strengthen economic outcomes through the education sector and clearly attributing Australia’s contributions towards outcomes.
Period of fiscal expansion and limited capacity to expend external funds, especially at the sub-national levels.	Possible capacity to expend funds at a faster rate with clear limited government expenditure to meet key priorities.
Weak monitoring and evaluation systems, which lacked capacity to monitor policy priorities and attribute results.	Stronger and more accurate data capture systems available for evidence based planning and decision making.

**Recommendation 2: Budget support should start small and build overtime with a focus on particular reform initiatives while building strong monitoring and reporting systems.**

A modality that provides direct budget support to a particular sector requires considered and detailed assessments on the practical implications of working through partner government systems. For instance, there should be an acceptance of higher transaction costs for donors and partner government. Once assessments of the complete public financial management cycle are completed and assessed as being sufficiently robust, then logically it would make sense to:

- > Start at a point of where capacity is considered to be robust enough for budget support;
- > Start small and build slowly as systems are strengthened. In the case of the DFS, it was only when the IFMS was introduced that the potential for PNG financial management systems to be improved to a level that could effectively accommodate a budget support modality;



- > Ensure that there is active and ongoing monitoring of interventions and strengthen those systems as required and;
- > Develop strong communication between donor and partner government at all times so that understanding of progress and challenges is well understood, discussed and accepted.

**Recommendation 3: Develop robust monitoring and evaluation mechanisms and strengthen existing systems.**

A DFS type modality requires robust monitoring and evaluation systems and an evidenced based culture. Education ministries and other line ministries in constrained capacity environments can struggle with monitoring and evaluating requirements across the system as a whole. Although the daily needs and demands of policy makers and those responsible for service delivery differ, they are joined together by core objectives. Donors also have requirements to report on the impact their contribution is making towards those objectives. More robust monitoring and evaluation systems and capacity building in their use can gradually help bring these elements together.

If a DFS type of modality is considered to be appropriate in another time or context, then full assessments of existing systems would be needed to determine the most important starting point to strengthen existing systems. Context will determine where this support is needed, but in general terms, concentrating efforts at the national level is usually desirable as a start. With a DFS type of modality, Australia might also like to consider having a smaller programmatic monitoring and evaluation to help capture key lessons, identify areas where its support has proven to be effective and if not, use this evidence to leverage and influence change. This 'hybrid' approach would present challenges but it may be able to better meet the unique needs of each partner.

Finally attention to the full monitoring and evaluation cycle should have been planned together with system users and reviewed and refreshed regularly. The use of an annual monitoring and evaluation conference, reporting on achievements and challenges in the sector is helpful in building a broader evaluative culture and has been used successfully in the other countries in the Pacific.

**Recommendation 4: Prioritise a strategic focus for budget support investments.**

As discussed throughout this report, it remains very difficult to determine whether Delivery Strategy outcomes were achieved. For the DFS to have created a more strategic focus of its financial support, a discrete, targeted and funded longer term framework would have been required to sit between the NEP and UBE plans and the AOF, to guide the investment efforts of the NDoE and Australia.

Such a strategy may have focussed on articulating the most efficient and effective ways to maximise the impact of proposed investments. A whole of cycle approach (policy, delivery and review) of critical components such as literacy programs, may have provided a better opportunity to ascertain the strengths and challenges associated with financing programs and activities through the DFS. Consideration of all its elements and the role of government as well as donors would need to be planned for and linked to particular research studies that would have been identified as part of the development of the MEF. Through this strategic lens, the DFS may have benefited from more coordinated and timely support to help achieve targets. For instance, additional capacity advisory support could have been provided to help improve procurement, education policy and planning and gender outcomes.

**Recommendation 5: A budget support modality requires long time frames.**

Direct budget support investments require substantially longer time frames than was evident under the DFS. The review team strongly believes that any further consideration of a budget support type modality in the future would require a commitment of at least 10 years to produce more meaningful

results. Australia and other donors would have to be more comfortable with risk and accept that initially activities might not work out as intended during the early stages of implementation.

Consideration of the role of central agencies, such as Treasury, Department of Finance, as key internal partners to line ministries, would also require attention and longer timeframes. For example, officials initially perceived that the DFS was imposing Australian public financial management standards on the NDoE, when in fact the DFS was enforcing their own PFMA. Behaviour change requires appropriate incentives and persistence, all of which takes time and support from central agencies. The institutional blockages that curtailed efforts to create more consistent and transparent procurement practices, required careful oversight. Under DFS 'Legacy' activities, the ECBF advisors, who had access to senior bureaucrats, were able to resolve critical blockages, through careful management of the whole procurement cycle. In hindsight, the DFS would have benefited from working with the central and line ministry to strengthen their procurement systems by embedding a procurement expert to oversee and encourage reform.

**Recommendation 6: Relationships between donors and partner government should be sustained.**

The DFS developed strong and direct relationships between the NDoE and the DFAT. Without a similar mechanism in place in the near future, new approaches to build and maintain close relationships are needed. This is best achieved through open and regular communication on the activities being proposed under the new portfolio approach being adopted in Australia's support to the PNG's education sector. For instance, specific mechanisms, identified in annual plans could allow for a regular bringing together of all stakeholders involved in supporting particular initiatives to focus on reviewing progress and strategies towards meeting agreed outcomes and reform targets.

**Recommendation 7: Document the DFS story.**

This review, in a very short time frame, has attempted to capture the key elements of the DFS: what is was, why it was implemented, how it worked and what it achieved. However, the DFS story could be much better documented, particularly the programs and activities it supported. It is recommended that technical specialists could be contracted to prepare case studies of what the DFS achieved as a modality. These case studies should include the activities currently funded under DFS 'Legacy' as they are a hybrid form of support combining both the DFS and grant based mechanisms.

## 4 Conclusions

The DFS was a modality that was regarded as best practice at the time of implementation. This ex-post review assessed the efficiency of the DFS mechanism in terms of its achievements relative to investments made and whether it was efficiently administered as a modality.

The review team agreed that the underlying assumptions were valid. As a PNG Government led initiative (through NDoE), it was assumed that the implementation of the DFS modality would strengthen public financial management and accountability systems. There is considerable evidence to validate this assumption and the DFS showed that working in partner systems can contribute to strengthened systems, processes and activities. However, it is too early to make a comprehensive assessment on the effectiveness of capacity built within NDoE as a whole.

The review team found that the DFS did deliver positive benefits through strong levels of ownership of the DFS in NDoE, from senior management through to divisional officers. It brought Australia to the 'policy table' and provided ongoing access to senior officials and policy makers. The DFS did fulfil its mandate by providing essential gap filling support to the education sector but it is unclear if these activities were the most strategic priorities for Australia's support at the time of the investment.

There were challenges in implementing the DFS. The review team found that implementation involved higher than anticipated transaction costs, there were capacity and data constraints and existing public financial management systems lacked the efficiency to accommodate direct budget support and reporting requirements. Sub-national levels lacked the capacity to expend DFS funds, blockages from central line agencies delayed procurement, persistent poor acquittal practice and incidence of fraud, led to increased transaction costs and contributed to the suspension of the DFS account in 2014. The monitoring and evaluation systems that the DFS relied on lacked the necessary rigour needed to provide strong evidence based decision making and. did not adapt when it became apparent that reporting needs were not being met by Australia or PNG.

While there were significant challenges to administering the DFS using PNG government systems, these were identified and addressed through the oversight contractor, DFAT staff and PNG government officials. As the appetite for risk changed, the DFS contracted rather than expanded as was expected. The review team concludes that the starting point was too ambitious and that with more time and stronger monitoring and evaluation approaches, the DFS may have been able to more robustly demonstrate effectiveness and show Australia's contribution towards agreed targets over time. While it remains unlikely that a DFS type approach will be initiated in the current political economy context, some of the lessons from its implementation remain valid and appropriate for the delivery of support to PNG's education sector.

## Annex 1 Evaluation Plan

Not included in this report.

Please refer to the Draft Evaluation Plan.

## Annex 2 Schedule of Consultations

Date	Name	Time	Contact Point	Venue	Comment
Tuesday 5 April	Review team arrival in country	1:50 pm			Customs clearance, settling in hotel
	Meeting with AHC team to discuss Terms of Reference and Review Schedule Discussion	4:00pm-4:30pm	Grace Heaoa	AHC Level 2 conference room booked	
	Meet with AHC education staff	4:30pm-5:30pm	Grace Heaoa	AHC Level 2 Conference Room (booked)	Meeting confirmed
Wednesday 4 April	National Department of Education (NDoE) Deputy Secretary (Policy and Corporate)	9:00am-10:00am	Gerea Vavine	Fincorp Haus B'Wing 6 <sup>th</sup> Floor Conference Room	Meeting confirmed
	Meeting with DFAT Education and Leadership Program staff	10:30pm-12:00pm	Grace Heaoa	AHC Level 2 Conference Room (booked)	Meeting invite has been sent
	Lunch	12:00pm-1:45pm			
	Review Team works on interview questions				
Thursday 5 April	Teleconference with former AusAID / DFAT DFS staff member	9:00am-10:30am	Grace Heaoa	AHC Teleconference Level 2 Conference Room (Booked)	Book Level 3 small meeting room as back up for teleconferencing. Penny has been notified
	Meeting with ECDF Budget and Finance Adviser	11:00am-12:30pm	Grace Heaoa	AHC Level 2 Meeting Room (Booked)	Meeting Confirmed
	Lunch	12:30pm-1:30pm			
	Meeting with NDoE Trust Team	2:00pm-3:00pm	Gerea Vavine	Fincorp 1 <sup>st</sup> Floor A'Wing PPRC Conference Room	Meeting Confirmed
	Meeting with NDoE TVET Curriculum and elearning	3:00pm-4:00pm	Gerea Vavine	Fincorp 1 <sup>st</sup> Floor A'Wing PPRC Conference Room	Meeting Confirmed
Friday 6 April	Meeting with NDoE General Education Service Division, Finance Division, Research & Eval Division, Policy & Planning, Provincial Services	9:30am-10:30am	Gerea Vavine	Fincorp 4 <sup>th</sup> Floor A'Wing TED Conference Room	Meeting Confirmed
	Meeting with NDoE TED, IERC, Curriculum and Inspections	10:30am-11:30am	Gerea Vavine	Fincorp 4 <sup>th</sup> Floor A'Wing TED Conference Room	Meeting Confirmed
	LUNCH	11:30pm-12:30pm			

Date	Name	Time	Contact Point	Venue	Comment
	Meeting with NDoE Curriculum Development	1:00pm–2:00pm	Gerea Vavine	Fincorp 4 <sup>th</sup> Floor A'Wing TED Conference Room	Meeting Confirmed
	Meeting with NDoE ICT	2:00pm-3:00pm	Gerea Vavine	Fincorp 4 <sup>th</sup> Floor A'Wing TED Conference Room	Meeting Confirmed
	Meeting with NDoE Policy and Planning	3.00 – 4.00pm	Gerea Vavine	Fincorp 4 <sup>th</sup> Floor A'Wing TED Conference Room	Meeting Confirmed
Monday 9 April	Meeting with Deloitte	9:00am-11.00 pm	Grace Heaoa	Stanley Hotel	Meeting confirmed
	Meeting at AHC	11:30am-12:30pm	Grace Heaoa	AHC	Meeting Confirmed
	Lunch	12:30pm-1:30pm			
	Meeting with Department of Finance A/Assistant Secretary	2:00pm-3:00pm	Gerea Vavine	Vulunpindi Haus	Meeting confirmed
Tuesday 10 April	Meeting with NDoE Director Donor Aid	9:00am-10am	Gerea Vavine	Fincorp	Meeting confirmed
	NCD Education Division	10:00am-11:00pm	Gerea Vavine	Fincorp Level 4 A'wing TED conference room.	Meeting confirmed
	Meeting with former DFAT DFS staff	12:30pm–2:00pm	Grace Heaoa	AHC	Meeting confirmed
	Lunch	2:00pm-3:00pm			
	Meeting with NDoE M&E	3:00pm-4:00pm	Grace Heaoa	Fincorp Level 4 A'Wing -TED Conference room	Meeting confirmed
Wednesday 11 April	Meeting with DFAT staff formerly on DFS	9:00am-10:30am	Grace Heaoa	AHC Level 3 Small Meeting room	Meeting confirmed
	Meeting with former DFS Education Advisor	11:30-12:30pm	Grace Heaoa	AHC Level 3 Small Meeting room	Meeting confirmed
	Lunch	1:00pm–2:00pm			
	Meeting with NDoE Chief Internal Auditor	3:00pm-4:00pm	Gerea Vavine	Fincorp Level 4 A'Wing -TED Conference room	Meeting confirmed
	File storage inspection to see the types of documents that are kept	4:00pm-4:30pm	Gerea Vavine	Fincorp Level 4 A'Wing -TED Conference room	Meeting confirmed
Thursday 12 April	Meeting with NRI, Education team	9:00am-10:00am	Grace Heaoa	NRI	Meeting confirmed

Date	Name	Time	Contact Point	Venue	Comment
	Lunch				
	Meeting with Department of National Planning and Monitoring	1:30pm–2:30pm	James Ruru (DNPM)	Vulupindi Level	Meeting confirmed
Friday 13 April	Validation meeting with NDoE staff	10:00am-11:00am	Gerea Vavine	Fincorp Level 4 A'Wing -TED Conference room	Meeting confirmed
Monday 16 April	Consultants to prepare Aid Memoire Presentation				
Tuesday 17 April	Aid Memoire Presentation Review Team, NDoE staff, AHC staff	10:00am-11:30am	Grace Heaoa and Gerea Vavine	Fincorp Level 5 A'Wing General Education Service Conference room	Meeting confirmed
	Sharing of lessons with DFAT AHC Education and Health teams	11.30 – 12.30	Grace Heaoa	AHC	Meeting confirmed
Additional meetings	Held after aide memoire presentation		Grace Heaoa		
Wednesday 18 April	Meeting held with ECD advisors and DFAT staff	3.00 – 4.00	Grace Heaoa	Palladium Office, Level 1, Old Deloitte's Tower	Meeting confirmed
Thursday 19 <sup>th</sup> April	Meeting with Minister Councillor	2.30 – 3.00pm	Grace Heaoa	AHC	Meeting confirmed

## Annex 3 Aide Memoire presentation



### Review of the Direct Financing Support (DFS) Mechanism

#### PRESENTERS:

Karyn Docking (Cardno)  
Colin Wiltshire (ANU)

April 2018



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#### Presentation Overview

### 01 Introduction and Context

### 02 Key findings (efficiency and effectiveness)

### 03 Lessons Learned

<sup>1</sup> Review of the Direct Financing Support (DFS) Mechanism





# 01 Introduction & Context

2 Review of the Direct Financing Support (DFS) Mechanism



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## 1.1 Introduction

- > The DFS was one of three modalities used to implement the Australia's Delivery Strategy for support to PNG's education sector.
  - It operated from 2011 to 2016, but DFS 'legacy' activities are ongoing.
  - DFS funds were managed through the ESIP trust account by an oversight contractor to ensure accountability of Australian funds.
- > The DFS worked through and used the same systems as the National Department of Education (NDoE) to deliver activities in direct support of PNG's national policies and plans.
  - This was a form of budget support from Australia that utilised PNG partner systems.
  - The DFS aimed to ensure greater ownership between PNG and Australia over the aid program.

3 Review of the Direct Financing Support (DFS) Mechanism



## 1.2 Key focus for review

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- > This review aimed to test the assumption that NDoE / PNG systems would be strengthened under the DFS, including;
  - How capacity of NDoE finance and procurement system were built.
  - Whether the DFS provided value for the Australian / PNG governments.
  - Identifying key lessons learnt from the DFS.
  - Assessing the efficiency and effectiveness of the DFS.
  - However it does not focus on the impact of investments made under the DFS.

4 Review of the Direct Financing Support (DFS) Mechanism



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## 1.3 Time and Context

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- > In 2010, working in partner systems was a key priority for the Australian aid program.
  - Australia was a signature to international declarations (Paris, Accra, Doha) on donor harmonisation.
  - A budget support mechanism, like the DFS, was seen as appropriate approach.
- > During the implementation of the DFS, several key education reforms were introduced by the PNG Government. These include;
  - Tuition Free Fee (TFF) policy for all schools.
  - Standards Based Curriculum (SBC) .
  - Decentralisation of development funds for school infrastructure (PSIP, DSIP, LLGSIP).
  - Beginnings of restructuring schools (1:6:6).
- > More recently, there has been a shift in PNG's economic context from one of expanding budgets to recent fiscal constraints.
- > Contraction in Australia's aid program and realignment of priorities.

5 Review of the Direct Financing Support (DFS) Mechanism



## 1.4 Approach to the review

- > Detailed review of DFS documentation (reports, budgets, guidelines) and international literature on working in partner systems.
- > Broad consultations have taken place with stakeholders directly involved in the DFS and the education sector in PNG. These included:
  - NDoE officers across several divisions.
  - Other PNG Government Departments – NDoF and DNPM.
  - NCD Education – to get perspective on policy implementation at schools.
  - DFAT posted staff at the AHC – both past and present.
  - The Oversight Contractor – Deloitte.
  - Australian Aid funded Advisors in the education sector.
  - National Research Institute.

6 Review of the Direct Financing Support (DFS) Mechanism



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# 02 Key Findings

7 Review of the Direct Financing Support (DFS) Mechanism



## 2.1 Key messages from conducting this review

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1. There was strong **ownership** of the DFS mechanism in NDoE.
2. The **impact** of DFS activities were not well understood as a whole.
3. The DFS funded **successful activities**, particularly its support of the PNG Government's major education policies and reforms.
4. There were **challenges** throughout the implementation of the DFS, but these were identified and addressed.
5. Overall, there were **benefits and constraints** to working in NDoE (partner) systems.

8 Review of the Direct Financing Support (DFS) Mechanism



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## 2.2 Key findings (Efficiency)

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### How did the DFS work?

- > The DFS used similar processes to the PNG Government to fund mutually agreed activities between NDoE and DFAT. This process involved:
  - Divisions in NDoE preparing Project Formulation Documents (PFDs) that were submitted to senior management in the Department.
  - The approved PFDs contributed to the formation of the Annual Operational and Financial Plan (AOFP).
  - Funding for these activities in the AOFP could be sourced through DNPM (through the normal budget process) or DFAT (through the DFS, which required additional approvals).
  - The activities that received funding were monitored through Quarterly Budget Reviews (QBR), which DFAT attended.
    - Early in the implementation of DFS, NDoE and DFAT would conduct joint monitoring.
  - Completed DFS activities were then subject to normal GoPNG reporting requirements.

9 Review of the Direct Financing Support (DFS) Mechanism



## 2.3 Key findings (Efficiency)

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### What worked well?

- > The oversight contractor, embedded in NDoE, provided effective oversight and management of DFS funds in compliance with the PFM Act.
  - Originally, NDoE officers believed the DFS was enforcing Australian/DFAT processes, when they were PNG systems (PFMA).
  - Through the oversight processes there was a focus on improving efficiencies in budget and financing systems (understanding PFDs / acquittals).
- > As a result, NDoE had strong ownership over the DFS.
  - It provided a flexible mechanism that broadly funded priorities across of the department (breadth as opposed to depth).
  - It also 'plugged gaps' in NDoE budgets that were not funded by GoPNG. DFS funded complementary rather than stand alone activities.
  - Building strong ownership through a flexible mechanism that filled budget holes aligns closely with the original intentions of the DFS / budget support (outlined in delivery strategy).

10 Review of the Direct Financing Support (DFS) Mechanism



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## 2.4 Key findings (Efficiency)

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### What worked well? (Continued)

- > The DFS contributed to strong collegial relationships between NDoE and DFAT (former staff).
- > Overall, despite initial challenges with establishing the DFS, it was valued, accepted and owned within NDoE.

11 Review of the Direct Financing Support (DFS) Mechanism



## 2.5 Key findings (Efficiency)

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### What were the challenges?

- > The process for accessing and spending DFS funds were long but reliable.
  - PFDs submitted to DFAT were scrutinised and required additional approvals, which caused frustrations and delays.
  - But DFS funded activities were preferable to GoPNG systems because the funding was assured.
- > Working through the PNG Government Accounting System (PGAS) was cumbersome and difficult to produce satisfactory reports and acquittals that met donor standards.
  - DFS accounts were suspended due to outstanding acquittals, but an approach implemented to seek reimbursement through staff wages.
  - Transaction costs for the donor, particularly DFAT, were high. Too much time spent on managing processes as opposed to policy engagement.
  - The recent transition to Integrated Financial Management System (IFMS) would be more appropriate mechanism, especially in terms of accountability and reporting.

12 Review of the Direct Financing Support (DFS) Mechanism



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## 2.6 Key findings (Efficiency)

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### What were the challenges? (Continued)

- > DFS funds initially allocated to provinces and schools was not well conceived.
  - Opening sub-accounts in all provinces produced many complications and few benefits.
  - Elementary schools were unable to effectively account for funds.
  - In both cases, an adequate assessment of capability to spend and acquit funds as sub-national levels was absent.
- > Overall, there were significant challenges to implementing the DFS, but these were identified and managed throughout the life of the program.

13 Review of the Direct Financing Support (DFS) Mechanism





## 2.7 Key findings (Effectiveness)

> Actual expenditure of DFS funds was slow (Oversight Contractor records).

Year	Total Allocation	Total Expenditure	% budget spent
2013	K42,424,100	K28,659,205	68
2105	K34,721,007	K8,412,147	24

- Records from the oversight contractor show that just over K100 million was paid out of the trust account over its six years of operations.
- From financing agreements signed between the PNG and Australian Governments, total expenditure from the DFS appeared to be significantly less than originally agreed.
- Fewer activities actually delivered lessened the potential impact of the DFS.
- However DFS activities supported major PNG Government policies, such as managing TFF payments, which supported important national education priorities.

14 Review of the Direct Financing Support (DFS) Mechanism



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## 2.8 Key findings (Effectiveness)

> **What was achieved?**

- DFS activities were scattered across NDoE, but they did fill important gaps, such as:
  - Initial round of school subsidies to elementary schools using PNG PFM systems.
  - Equipment purchase for TVET institutions and for disability support (Braille machines).
  - ICT strengthening for Teacher Training Colleges and an enhanced EMIS for NDoE.
  - English language instruction materials for elementary kit schools (SBC).
  - Teacher training and support for standards officers to monitor schools.
  - Limited participation at country level in regional literacy / numeracy benchmarking.
  - Improved governance and operations within NDoE in finance and administration through capacity building were strengthened.

15 Review of the Direct Financing Support (DFS) Mechanism



## 2.9 Key findings (Effectiveness)

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### > How were these achievements understood?

- Difficult to understand what DFS funds were spent on, both in terms of the activities and categories of spending.
- Flexible budget support mechanisms were designed to fill budget gaps in support of broader initiatives.
- DFS achievements were not well understood as a whole:
  - Limited monitoring and evaluation of PFD activities at the AOFP level.
  - DFS assumptions (use of NDoE M&E systems) were overambitious because M&E systems were being refreshed (EMIS) and reliant on staffing positions being filled.
- Joint monitoring activities (2011 – 13) were well regarded but were constrained.
- EMIS data was more reliable and used within and external to NDoE (eg NRI).
- Process to deduct staff salaries (acquittals) is now mandated and sustained.

16 Review of the Direct Financing Support (DFS) Mechanism



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## 2.10 Key findings (Effectiveness)

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### > Constraints to achievements

- M&E systems collectively were inadequate to be used for continuation or discontinuation of activities and were unable to explain or give visibility to success stories.
- PFM systems (PGAS) and compliance with the full PFM cycle (reporting, budgeting and accounting, verification and internal controls) were more challenging than expected.
- Under the delivery strategy, the DFS was designed to be complementary and reliant on the other modalities. The DFS would have achieved more in conjunction with CDF and SSP.
- DFS needed more time to maximise benefit and change attitudes and behaviours.
- The 'scattered' approach and a 'long chain' made its implementation challenging.
- Intense engagement on the PFM side led to less focus on the 'education' side of the program in terms of what was achieved.

17 Review of the Direct Financing Support (DFS) Mechanism



## 03 Lessons Learned

18 Review of the Direct Financing Support (DFS) Mechanism



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### 3.1 Key Lessons Learned: DFS assumptions

#### > What were the assumptions of the DFS modality in this context?

*... that public financial management and accountability would be strengthened through PNG Government led initiatives supported through the DFS.*

- DFS introduced an ambitious modality, but showed that working in partner systems can contribute to strengthened systems, processes and activities.
  - This type of modality can be an effective form of capacity building (learning by doing).
- DFS had high transaction costs for the donor and partner government .
  - Doubling up of processes for NDoE (eg PFDs) and intensive engagement from donors.
- Thorough assessment of PFM capacity is required before external funding mechanisms can be introduced.
  - The context and timing for budget support needs to be right for both donor and partner government.

19 Review of the Direct Financing Support (DFS) Mechanism



### 3.2 Key Lessons Learned: working in partner systems

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- In retrospect, the DFS could have benefited from starting smaller, focusing on particular reform initiatives and building stronger M&E systems.
  - Horizontal vs vertical integration.
- Could not measure value for money effectively without understanding broader co-funding with PNG Government.
  - To understand the contribution it made overall, robust M&E systems are needed.
  - Need to build in sustainability especially when internal funding is limited.
- There is a need to be realistic about the capacity of partner systems to absorb and spend external funds.
- There is a fine balance between focusing on PFM (systems and processes) rather than strategic policy engagement on education.
  - Under DFS the education priorities were a secondary focus to strengthening PFM systems.

20 Review of the Direct Financing Support (DFS) Mechanism



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## 04 Questions and Discussion

21 Review of the Direct Financing Support (DFS) Mechanism



## Annex 4 DFS Products and services

### 1. Measures that supported access

Improved **grant management systems for TFF flows to elementary schools** using government systems. DFS provided school grants for one year prior to the re-introduction of the TFF policy which required the opening of school bank accounts and helped facilitate smoother TFF transfers.

Guidelines were established to reflect the PFM Act, systems were used to trial (new) processes and staff were 'trained' in their use by using those processes.

**Enhanced ICT infrastructure.** The development of databases, such as **Education Management Information Systems (EMIS)**<sup>1</sup> proved to be very important in the implementation of the TFF by providing more accurate numbers on student enrolments at schools so that TFF payments can be more fairly distributed and based on need. There is more confidence in the reliability of EMIS data and less fear of over reporting compared to assessments completed in 2010 (AusAID: 10:18). Return rates now sit at 80-90 per cent.

**ICT upgrade of eight teacher training colleges**, including a digital library with a wifi connection to enable student access to the internet in provincial areas. ICT equipment was purchased, for example 100 desktop computers were purchased for Sacred Heart Teachers College and included wifi connections with the whole campus and five computers were replaced under warranty.

**Parents for quality education (PQEP)** was a DFS funded partnership program, led by the Catholic Education Agency. PQEP ran in Catholic schools from 2012 until 2016 at a cost of just over K 3M. The program socialised parents and site leaders about the effective use of TFF funds and empowered parents to question how schools used this money. The 68 church education secretaries, which had schools in the provinces, were the PQEP's focal points.

### 2. Measures that supported quality

Support for the new Standards Based Curriculum. DFS funded the development and printing of the **Elementary English kit** through a partnership with VSO. NPDP provided the funds to NDoE to procure contractors to distribute all materials, including the elementary English kits to all schools<sup>2</sup>.

VSO also supported **teacher quality improvement** efforts by providing a weekly SMS service to elementary teachers to assist in their preparation. VSO provided draft guidelines for elementary teachers.

**Enhanced ICT infrastructure.** An improved EMIS now provides reliable data, such as school lists, for monitoring purposes. The NEP is monitored using indicators that are captured in EMIS and is a centralised NDoE M&E function.

Funding for the establishment of a **teacher education database** so that on graduation teachers are automatically provisionally registered so that when appointed to a school they are paid their salary. Previously teachers were not paid until they were registered.

A **Grade 11 application** selection tool was developed.

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<sup>1</sup> Informants indicated that while EMIS mainly supports TFF policy, it is unable to currently provide real time data to NDoE staff. Data is based retrospectively from templates sent to provinces for quarterly reporting. Because of its TFF focus, data on teacher numbers in schools at any given time is unknown. Enhancements to integrate EMIS with other databases are currently being planned.

<sup>2</sup> Kits were delivered to provincial warehouses but it is unclear how many kits got to schools, particularly very remote schools.

For a time, DFS provided funding support for NDoE monitoring of provincial schools **by standards officers** to physically reach and contact remote schools, particularly elementary. Poor acquittal of expenses led to the reduction in the amount of funds provided to standards officers<sup>3</sup>.

In 2013 the DFS supported country level activity for the **Pacific Benchmarking for Education Results (PABER)**. PABER builds on Pacific Islands Literacy and Numeracy Assessment (PILNA) to monitor quality outcomes of students and is in keeping with the NDoE's shift in emphasis to monitor the Sustainable Development Goal targets.

**PFMA process improvement** through the oversight contractor reduced acquittals significantly, received GST credits back and protected Australian funds. All DFS programs were funded and this enabled funds to be used to meet agreed educational priorities.

40 lecturers completed a **Bachelor of Early Childhood Education** at Queensland University of Technology in PNG. This was designed to improve teacher practice to impact on students in schools (Edwards: 2015).

In 2015, the DFS supported the development of **National Qualifications Standards Framework**, which has not been implemented.

DFS supported the **annual senior executive conference**<sup>4</sup> for national, provincial and church executives, at an approximate costs of 600,000 – 700,000 K per annum.

### 3. Measures that supported equity<sup>5</sup>

DFS supported special needs and inclusive educational practice with the **purchase and import of high quality Braille machines** at four centres (Rabaul, Mt Zion, Measurement Services Division and the PNG Education Institute). This support also included training of staff, the purchase of paper and equipment maintenance<sup>6</sup>.

A month long **elementary teacher program to build inclusive practice** and 23 teacher resources centres provided support for inclusive education.

There were **DFS sponsored gender activities** but there is no information regarding whether expected outputs were achieved (Edwards: 2015). Some examples of activities are:

A gender focal point establishment meeting was implemented in December 2014.

Workshop and training on HIV and gender issues was implemented in July 2013.

Teacher consultations on the HIV Policy implementation plan was implemented in 2013.

### 4. Measures that supported capacity building

**Opportunities for capacity building.** Linked advisors and activities together; brought provincial advisors, district advisors and (head) teachers from the provinces annually to Port Moresby.

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<sup>3</sup> It was reported that vehicles for standards officers in the NCD to get to schools are no longer in use and visits are not always completed so 'they dig into their own pockets to do their jobs'.

<sup>4</sup> 2018 is the only year under the period being reviewed that the conference did not go ahead.

<sup>5</sup> There is little data available on gender equity outcomes except for the 2015 PILNA results. Informants did not raise gender as an outcome even-though DFS allowed for PFD proposers to identify and include gender issues. It was concluded that there was no evidence to suggest that DFS contributed to improvements in girls' education (Edwards; 2015:14).

<sup>6</sup> Concern was expressed to sustain the gains made in the future by accessing TA for maintenance and to purchase the expensive paper needed for printing. In addition ongoing support for the 6 vision impaired students completing a degree at University of Goroka was raised.



Other capacity building took place through the **Parents for Quality Education (PQEP)** program. Although no audit or evaluation took place, it was believed that the PQEP built capacity in financial reporting and planning for the church focal points, which resulted in improved confidence and knowledge. Effective partnerships were built with the Department of Education and other church groups.

A **Diploma of Management**, which was designed for 360 people ran for two batches before being terminated. 30 people completed a Diploma in Leadership at Divine Word University.

**One off training<sup>7</sup> in the use of EMIS** was provided by the ICT Division within the NDoE for staff authorised to use EMIS, including IT technical teams, teacher colleges and provincial officers.

**PFMA process improvement** through the oversight contractor improved capacity and practice to administer and manage public funds effectively. The oversight contractor was embedded in the NDoE and modelled appropriate practices and oversighted all expenditure through the DFS. Over time this strengthened and sustained PFMA practice. Other outputs were:

- > A checklist for everything which is now used as part of the budget processes
- > Pay deductions for non-acquittal is now mandated in the government systems
- > Greater awareness and acceptance of compliance requirements and needs.
- > A preferred suppliers list and 'black list' of suppliers. All suppliers were not paid until work was completed
- > More manageable per diem levels for standards officers. Reduced per diem from 20,000 – 40,000 K per officer per term to 2,500 because of acquittal issues.
- > Built strong and purposeful relationships in Finance and across Divisions.

## 5. Analysis of DFS expenditure patterns

As stated in the main report, the review team has struggled to fully understand what DFS 'bought' for its expenditure from 2012 – 2016. Analysis indicates that money was largely spent on grants to provinces and schools and, to organisations such as VSO to complete discrete activities through the DFS. Another major spending area was Technical Assistance, through the ECF, although some of this was curtailed<sup>8</sup> when the DFS account was suspended in 2014. Procurement of equipment was also an expected cost<sup>9</sup> and was counted as separate item in 2013.

The following tables show that largest areas of the expenditure were in curriculum development and assessment, ICT and teacher development. Aside from infrastructure (classrooms, schools and maintenance costs) these areas typically consume larger amounts of spending, through training (and travel / per diems) and materials development / delivery. ICT expenditure involves high equipment and installation costs and, its direct impact is more discernible immediately, even though longer term capacity building in the use of systems requires longer timeframes.

Gender was not a spending priority while TVET received greater attention only in 2016 and then was carried over to the DFS legacy period. Finance and administration costs were lower, although the tables do not include the costs incurred by Australia by the contracting of the oversight contractor. Nevertheless, almost all informants agreed that the role of the oversight contractor was effective and vital, representing good value for money. Finally another limitation in assessing expenditure flows of

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<sup>7</sup> Some informants indicated that most NDoE officers unable to use EMIS or even know where to go to get access to data for policy, planning and reporting purposes.

<sup>8</sup> Informants indicated that TA in areas such as procurement, education and M&E did not proceed or were delayed because of the suspension of accounts.

<sup>9</sup> For a summary of TA, Supplier and Grant costs, please refer to Table 2: Summary of total payments and acquittals by year from 2011 to 30 June 2016, Report to the Department of Foreign Affairs and Trade Education Program (21 July 2016).



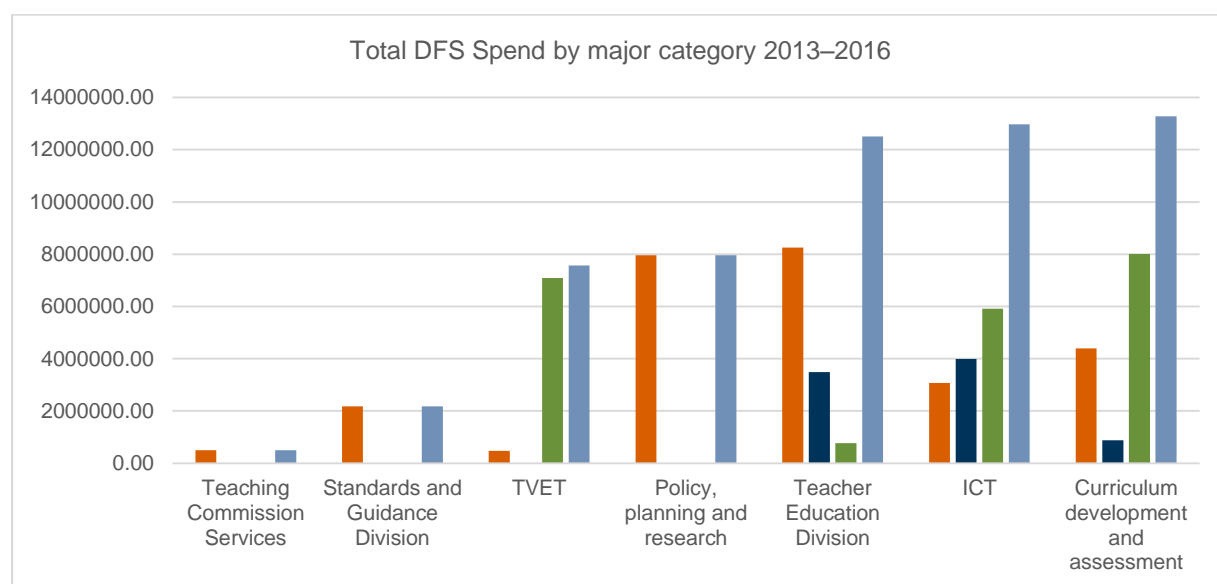
the DFS and what it achieved relates to the nature of budget support. As commented previously there is a need to examine expenditure patterns from the two other modalities used under the Delivery Strategy and PNG's education recurrent budget collectively to understand what was purchased and achieved as a whole.

## 6. DFS Expenditure summary

For a full summary of expenditure that these tables and chart refer to, please refer to the Report to the Department of Foreign Affairs and Trade Education Program (21 July 2016).

As of 18 April 2018 k6,752,767.36 or AU\$1,447,907.76 was dispersed to support TVET and ICT priorities under the DFS Legacy Grant Agreement. When a final reconciled budget is available, Financial Statements will be available from the Education Capacity Facility, managed by Palladium.

**Chart 1: Actual expenditure per category in Kina**



**Table 1: Actual expenditure per category in Kina**

Category	2013	2015	2016	Total
General Education Services	0.00	0.00	0.00	0.00
Other	0.00	1137.00	0.00	1137.00
Procurement	19533.00	0.00	0.00	19533.00
Finance and Administration	107963.69	41486.85	7735.94	157186.48
Office library and archives	391916.20	0.00	0.00	391916.20
HROD /PARS	405025.99	0.00	0.00	405025.99
HIV and Gender	423375.40	5530.75	0.00	428906.15
Internal audit	490952.43	0.00	0.00	490952.43
Teaching Commission Services	500000.00	0.00	0.00	500000.00
Standards and Guidance Division	2172326.02	0.00	0.00	2172326.02
TVET	472947.95	5058.63	7094614.37	7572620.95
Policy, planning and research	7954815.13	0.00	0.00	7954815.13
Teacher Education Division	8252948.29	3488424.01	762624.03	12503996.33
ICT	3066567.27	3995709.93	5913190.07	12975467.27
Curriculum development and assessment	4400833.35	875936.40	8003192.60	13279962.35
	28659204.72	8413283.57	21781357.01	58853845.30

**Table 2: School Grants (2011 – 2013)**

Year	Total Paid	No. of Payments	Total Acquitted	No. of Payments Acquitted	Cheques Yet To Be Collected	No. of Cheques yet to be collected	Amount Yet To Be Acquitted
2011	9,950.00	1	-	-	-	-	9,950.00
2012	30,866,753.00	30	-	-	-	-	30,866,753.00
2013	30,253,245.00	5	4,439,545.00	1	-	-	25,813,700.00
<b>Total</b>	<b>61,129,948.00</b>	<b>36</b>	<b>4,439,545.00</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>56,690,403.00</b>

## Annex 5 DFS legacy activities

The Department of Foreign Affairs and Trade (DFAT) and the PNG Government reached agreement to use the remaining ESIP trust account consolidated funds, for agreed DFS Legacy activities under a conditional grant agreement. The Grant Agreement signed on 24 May 2016, met the joint conditions of the ESIP Trust agreement in that payments were to be made to support the Department of Education and would contribute towards mutually agreed priority areas made under the DFS Agreement (Palladium:16:2). The Australian ECDF funded Budget and Finance advisor provided oversight of the grant agreement, in conjunction with the Technical and Vocational Education and Training (TVET) and Information Communication Technologies (ICT) advisors in each of the components supported by the grant. This effective risk management strategy, employed by DFAT ensured that grant funds met specified targets.

Following a Department of Education functional review of the needs for effective service delivery in both ICT and TVET, the Grant Agreement June 2016 identified two priority areas for support (Department of Education and HKL Logistics: 10). They are:

- > Support to sustainable, cost effective ICT infrastructure and systems to enhance teaching and learning. Priorities included provision of software, systems and infrastructure upgrades across the Department, colleges and schools, enhancing datacentres and, infrastructure across 11 Teachers Colleges. This includes the development of a MyPNG School App – an automated system that standards officers check at the provincial to verify student enrolment data and other before checks and balances to ensure data accuracy.
- > Support to the effective delivery of technical and vocational curricular across multiple TVET colleges and areas. Priorities included upgrading national certificates, Diplomas and Advanced Diplomas by improved infrastructure at multiple TVET centres and colleges (Department of Education and HKL Logistics: 16:11).

DFS legacy support is also supporting a Financial Management Training Program for 15,000 school representatives (teachers, head teachers, bursars, treasurers, chairpersons) across all provinces. This training responded to a need identified from a rapid audit of selected provinces that suggested that schools were not able to perform expected budget planning and management functions. Australia is funding the training program, while the NDoE in partnership with the Queensland University of Technology (QUT) is responsible for its implementation. The Australian funded Budget and Finance advisor supports the NDoE, while the ECDF's managing contractor is responsible for QUT funding. At 25 May 2018, senior NDoE inspectors had trained 9,852 school administrators. The training intends to improve awareness and skills in school financial management policies and procedures, including TFF.

### **An example of effective DFS legacy support: Modernising the TVET sector.**

At the time of the review, TVET sat across three government departments and suffered from chronic underfunding. At vocational centres in the provinces, certificate level courses in trades like carpentry, farming, cooking do not meet the needs of students and infrastructure is poor. In 2011, the DFS funded a needs assessment of the sector and then funded several small-scale initiatives, such as leadership and management training through the IEA.

Since 2016, DFS legacy funds supported the upgrade of equipment in nine colleges, so that colleges could certify students to meet industry standards. DFS provided approximately 10M K to supply **TVET equipment** to nine colleges, assessed as functional and able to be accommodate the new equipment. West New Britain and Bougainville Technical Colleges were the only colleges that did not receive equipment upgrades. Support reflected the 2011 needs based analysis of the TVET sector. Priorities included upgrading national certificates, Diplomas and Advanced Diplomas through

improved infrastructure across multiple trade sectors including hospitality, automotive, metal fabrication, cabinet making, plumbing, printing, building, refrigeration and air conditioning. Costs included cabling and power supply upgrades to meet Australian / NZ standards and equipment used in hospitality, automotive, metal fabrication, cabinet making, plumbing, printing, building refrigeration and air conditioning courses. Success required knowledge of procurement cycles, persistence, access to networks to solve problems, managing currency fluctuations and upgrading power supply at colleges to meet current Australian and New Zealand electrical standards. This important investment will help to improve economic productivity and most are 'pleased (to see) that funds were going to TVET'.

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