




Australian Government

Department of Foreign Affairs and Trade

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# Aid Program Performance Report 2013-14

Papua New Guinea

September 2014

## Purpose

This annual report (APPR) provides an overview of the performance of Australia's bilateral aid program in Papua New Guinea (PNG) for the financial year 2013-14. The APPR for the Pacific Regional aid program details the performance of some additional region-wide activities that support PNG.

## Key Messages

PNG is Australia's nearest neighbour and a close regional partner, with Australia its largest donor. Australia's aid expenditure in 2013-14 (\$519.4 million) continued to support reforms and service delivery in PNG across the four key sectors of health and HIV, education, transport and law and justice, as well as support to governance - as agreed under the current PNG-Australia Partnership for Development (P4D). Priority was also given to the start-up of commitments under the \$420 million *PNG-Australia Joint Understanding on Further Bilateral Cooperation on Health, Education and Law and Order (JU)*, which was signed by Prime Minister O'Neill and former Prime Minister Rudd in July 2013 and reaffirmed by the new Australian Government in December 2013.

The JU included several large investments in these priority sectors. Much of this additional funding will support major infrastructure projects, including the reconstruction of the Lae ANGAU Hospital and improvements to infrastructure at the University of Papua New Guinea. The JU will also facilitate the scoping and design of an improved Ramu Highway and the Magisterial Court complex in Port Moresby. Through the JU, 50 Australian Federal Police advisors have been deployed in Port Moresby and Lae to support the Royal PNG Constabulary (RPNGC).

The results for Australia's aid program to PNG in 2013-14 varied between sectors. Good progress was made towards outcomes in health and HIV, and transport infrastructure investments achieved their targets for road rehabilitation. Modest gains were made from education and law and justice investments. The challenging political and security environment in PNG limited the achievement of outcomes for Australian-supported activities in the governance sector while deep-rooted socio-economic issues affected progress on programs designed to advance gender equality and women's empowerment.

An assessment of the PNG aid program undertaken in early 2014 by the Australian Government considered ways in which Australia's aid program could more closely align with both Governments' priorities. This included options to better address key constraints to economic growth and equitable development in PNG. The recommendations of this aid assessment – which have been agreed by the Australian and PNG Governments - together with Australia's new development policy, '*Australian aid: promoting prosperity, reducing poverty, enhancing stability*', will inform the direction of Australia's aid program from 2014-15.

An Australian Aid Investment Plan for PNG and a new aid partnership arrangement between PNG and Australia will be finalised by mid-2015. The partnership arrangement, which will supersede the PNG-Australia Partnership for Development, will include agreed performance benchmarks and mutual obligations for both governments. It will also highlight opportunities to work in innovative ways with the private sector to promote economic growth and human development.

The monitoring and evaluation of Australia's aid investments in PNG is being strengthened through a number of initiatives. This includes the development of improved, whole-of-government performance frameworks for law and justice investments and for the Strongim Gavman Program; a monitoring framework for Bougainville activities; and a program of training to build staff capabilities in monitoring and evaluation. Australia, through its in-country program management teams and

contributing Australian Government agencies, will continue to improve cohesion within and between sectoral investments. Further opportunities to promote and effectively monitor cross-sectoral priorities such as gender equality, disability inclusive development and disaster resilience, will also be identified.

The management of risks facing Australia's aid program in PNG will continue to require close attention by the Australian Government, including those relating to insecurity, weak governance and corruption. Fiduciary and security risk assessments will be conducted on a regular basis to inform program decisions. Mutual obligations between both governments in the new arrangement will emphasise good governance, transparency, and equity in PNG. The reduction in DFAT staff numbers, particularly at the Australian High Commission in Port Moresby – at a time of budget increases - will also require changed practices around monitoring and risk management. This is expected to include a more effective and innovative approach to the delivery of Australia's governance activities in PNG.

## Context

PNG has experienced over a decade of comparatively robust economic growth, with expanding formal employment opportunities and strong growth in government expenditure and revenues. This economic performance has been driven by high international prices for PNG's exports (including for agriculture), conservative fiscal policies and, more recently, construction activity related to the LNG project. However, economic growth slowed in 2013 (albeit to a still respectable headline figure of 5.1 per cent) due to weaker commodity prices, unfavourable weather conditions particularly affecting mining outputs and agriculture exports, and the winding down of construction activity associated with the PNG LNG project.

PNG's economic growth in 2014 is forecast to be 5.4 per cent. In 2015, GDP growth is forecast to exceed 20 per cent. This large, one-off spike in economic growth is due to exports from the PNG LNG Project. Non-mining GDP growth is projected to be a more moderate 4.3 per cent.

Unfortunately, despite sustained economic growth, the majority of the population has realised few tangible improvements to their quality of life. Over two million people in PNG remain poor and/or face hardship.<sup>1</sup> With around 80 to 85 per cent of Papua New Guineans residing in traditional rural communities, the majority secure their livelihoods from subsistence gardens and small-scale cash cropping. A significant percentage of the population lacks access to health, education, water and sanitation, and basic financial services.

In 2013, PNG was ranked 157 out of 187 countries in the Human Development Index. It remains off track against all of the Millennium Development Goals and its health and education indicators lag behind the rest of the Pacific.<sup>2</sup> Life expectancy is only 62 years, similar to that of Haiti and Sudan.<sup>3</sup>

In almost all respects, women and girls in PNG are worse off than their male counterparts. The 2013 UNDP Human Development Report Gender Inequality Index ranked PNG 134<sup>th</sup> out of 148 countries. Women and girls are 25 per cent less likely than men to be literate, and suffer unacceptably high death rates related to pregnancy and maternal health issues. Studies have shown that at least 60 per cent of women have experienced violence at some point in their lives, with 80-90 per cent of injuries treated at health clinics the result of domestic violence. Women are less likely to be employed in the formal sector, with men twice as likely as women to work for wages (40 per cent compared to 24 per cent of women nationally), and those women in formal sector positions are paid

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<sup>1</sup> The 2012 Pacific Regional MDG Tracking Report

<sup>2</sup> International Monetary Fund, December 2013, PNG Staff Report for the 2013 Article IV Consultation; UNDP 2013 Human Development Report, the UNDP Gender Inequality Index.

<sup>3</sup> World Health Organisation, Life Expectancy Data for PNG

significantly less than men (A\$340 for women compared to A\$700 per month for men). In the private sector, women are less likely to register their business enterprise, and have limited access to the justice system to resolve commercial disputes.<sup>4</sup> Women occupy few positions of leadership, from the village upwards. Of the 76,000 public servants in PNG, only 25 per cent are women and only 12 per cent of executive positions in PNG are held by women (few of which are in the private sector).<sup>5</sup>

Despite the vast development challenges, PNG is seeking to achieve middle-income country status by 2030 (Development Strategic Plan (DSP), 2010-2030). Sector priorities, as set out in the 2012 Alotau Accord, include education, health, law and justice, infrastructure and sustainable economic growth. PNG's economic growth agenda focuses upon investments in 'high impact infrastructure' - key roads, ports, power, and hospitals; job skills development; and partnering with the private sector - including supporting its role in service delivery.

Reflecting the PNG Government's ambitious development plans, the past two years has seen a marked departure from the conservative fiscal policies of the recent past. After a big expenditure program in 2013, the 2014 budget appropriations increased by 13.8 per cent to K15.0 billion (A\$6.56 billion, at current exchange rates). The big increases in government expenditure have contributed to a budget deficit of 7.7 per cent of GDP in 2013 and an estimated 6.9 per cent of GDP in 2014. A Supplementary Budget for 2013 was tabled concurrently with the 2014 Budget, with K379 million (A\$165 million) reappropriated. The majority of these funds came from uncompleted road transport projects, as well as unexpended health and education programs, and was primarily directed towards infrastructure associated with the 2015 South Pacific Games.

The strength in PNG's economy will continue to be dependent on improving macroeconomic management, governance and microeconomic reforms that ensure stability and maintain a business environment to attract foreign investment. The 2013 Heritage Foundation's "Index of Economic Freedom" ranked PNG 132 out of 178 countries. PNG rates 113th out of 189 economies on the World Bank's ease of doing business ranking. It rates particularly poorly in the critical category of 'enforcing contracts' (168th out of 189). Important reforms that signalled to international investors PNG's commitment to good economic governance, such as the establishment of PNG's Sovereign Wealth Fund, stalled during 2013.

In the Autonomous Region of Bougainville, the Autonomous Bougainville Government's (ABG) major undertakings included the establishment of the Bougainville Public Service, further progress on the transfer of powers from the National Government and preparations for negotiations on the reopening of the Panguna mine. This major change agenda will continue to gather momentum with ABG Elections in 2015, and the start of the five year window for a referendum on its future political status.

### Progress against objectives

Below is a summary of performance by sector compared to the previous year. In this year's report, ratings are primarily based on progress against specific PNG-Australia Partnership for Development objectives and 2013-14 Quality at Implementation (QAI) ratings. While no separate ratings have been provided in relation to assistance in the Autonomous Region of Bougainville, the performance of Australia's aid assistance in Bougainville is described later in the report.

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<sup>4</sup> UNDP, The 2013 Human Development Report

<sup>5</sup> World Bank, UNDP, PNG Government, ADB 2013, *Papua New Guinea Country Gender Assessment 2011-12*, World Bank, Port Moresby, PNG, p52

Objective	Current Rating	Previous Rating
Objective 1 – Improved health and HIV/AIDs outcomes	Amber	Green
Objective 2 - Improved access to quality education at all levels	Amber	Amber
Objective 3 - Improved law and justice	Amber	Amber
Objective 4 - Improved transport services to facilitate social and economic development	Green	Green
Objective 5 - Strengthened governance	Amber	Red
<u>Cross-cutting</u>	Amber	Amber
Disability inclusive development		
Gender Equality and Women's Empowerment	Amber	Red
<u>Additional Assistance</u>		
Bougainville	Not Rated	Amber

#### Key

- Green – Progress is as expected for this point in time and it is likely that the objective will be achieved
- Amber – Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved.
- Red – Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities.

Table 1 below provides an overview of expenditure outcome by sector/program for 2013-14.

**Table 1: PNG total ODA (indicative) expenditure amounts/percentages for FY2013-14 for the PNG aid program**

PNG Program	2013-14 Estimated Outcome (\$m)	Percentage Spend (%)
Health/HIV	99.0	19.1%
Education	96.0	18.5%
Law and Justice	28.0	5.4%
Infrastructure	75.0	14.4%
Public Sector (including SGP)	68.3	13.1%
Democratic Governance	38.4	7.4%
Joint Understanding Package	4.3	0.8%
Program Support Services	5.6	1.1%
Other – incl. gender, disaster management	34	6.5%
<b>Sub-total</b>	<b>\$448.5</b>	
Regional and Global	34.8	6.7%
Other Government Departments	36.1	7.0%
<b>TOTAL</b>	<b>\$519.4</b>	<b>100%</b>

## Objective 1 – Health and HIV/AIDS Sector

### Improved Health and HIV/AIDS outcomes

Amber

Progress against health and HIV objectives has been rated as amber, a decline from last year's performance. This year's rating recognises that while the health program's progress against the aid program's Partnership for Development objectives was strong in many respects, progress on procurement reform was limited and tackling the spread of tuberculosis in PNG has become an increasingly pressing focus for the program.

In 2013-14, the PNG Government demonstrated a firm commitment to health expenditure, and articulated clear priority-setting for the health sector priorities. PNG's health budget increased in 2014 from K1.009 billion (A\$440 million) to K1.382 billion (A\$602 million), with K335.8 million (A\$146 million) from donor sources. Seven major areas for health sector reform were prioritised in corporate planning processes: free health care, funding for the Christian Health Service (CHS), Provincial Health Authorities (PHAs), medical supply reform, health workforce, infrastructure and improved governance.

Steps to improve governance of the health sector were mixed. Positively, the Government committed to merging the National AIDS Council Secretariat (NACS) into the National Department of Health (NDoH). However, there were serious flaws in the process for the 2014-16 medical supply kit tender in November 2013. The Health Sector Partnership Committee (HSPC) was ineffective due to infrequent meetings, limited management and lack of central agency representation. The coordination of technical assistance in the sector was also identified as an area requiring improvement.

#### Australia's Contribution

In 2013-14, Australia invested approximately \$99 million toward health and HIV outcomes in PNG through five initiatives: financing, procurement, capacity development and service delivery, multilateral partnerships and in-country scholarships.

Australia's aid program has directly contributed to key achievements in the sector including in the areas of **skilled birth attendance, family planning and child health**. In 2013, Australia's support was responsible for 24,848 out of the 95,571 supervised deliveries. In 2013-14, Australian support to Marie Stopes International (MSI) and Susu Mamas resulted in 1,656 women accessing rural outreach services and 16,985 women attending urban health services (an 18 per cent increase on women accessing services in 2012). Australia's support contributed to immunising 54,393 out of 209,202 children in pentavalent and measles, although over 91,000 children are still in need of pentavalent vaccines.

Australia's support also facilitated HIV testing for more than 120,000 people (including 40,255 pregnant women) and the commencement of anti-retroviral therapy for 4,350 HIV positive people. Contributions to the Global Fund to fight AIDS, Tuberculosis and Malaria supported strong progress in malaria control, particularly through the distribution of over 1 million doses of artemether-lumefantrine, over 1.4 million rapid diagnostic tests to all health centres, and the distribution of more than 1.4 million bed nets. In the area of tuberculosis (TB) control, Global Fund grants were used to fully implement a training program for TB treatment in all Provinces. However, despite improvements in TB notifications and referrals, an independent review of PNG's National TB Program identified the National Capital District as a major 'hotspot' for TB transmission and drug resistance. This is an alarming development and will need concerted action by the PNG Government with support from Australia and other donors.

The state of **health sector financing** has also improved over the past year. In 2013, an Australian-supported technical assistance mission helped secure a K11.8 million (A\$5.14 million) funding

increase to Christian Health Services in PNG's 2014 budget. Australian procured and distributed medicines also provided a critical boost to the PNG Government's more limited coverage, and impacted the most remote facilities. The overall availability of medicines increased by 64 per cent in 2013.

Considerable progress was made in relation to **health infrastructure** in 2013-14. Australia's Incentive Fund completed four hospital upgrading projects, and upgraded health facilities and staff housing in three provinces. In July 2013, Australia committed up to A\$207million to co-fund the redevelopment of the ANGAU Hospital. Australia also funded the construction of a new Daru General Hospital TB and isolation ward, and Master Plans or scoping studies for the re-development of hospitals in Mt Hagen, Goroka, Lorengau, Buka and Daru.

**Health workforce** performance targets continued to be on track in PNG, with almost 400 new health workers enrolled in community health, nursing and midwifery courses in 2013. Australia's funding for eight clinical midwifery facilitators (CMF) at all four midwifery schools is continuing to improve teaching and learning quality, with 93 per cent of midwifery students graduating in 2013. Australia also supported a re-design of annual core funding for the University of PNG's (UPNG) School of Medicine and Health Sciences (SMHS).

### Key Risks and Challenges

Risks to the positive momentum in Australian support to the PNG health sector include an unwillingness or inability of the Government of PNG to take up service delivery activities currently funded by Australia, a lack of desire in the private sector to engage in strengthening PNG's health system, and the impact of a rising tuberculosis epidemic on current funding plans. Medical supply reform in PNG also remains a challenge and improvements will only be realised when the PNG Government demonstrates commitment to the fair and transparent procurement of quality assured medical supplies.

### Way Forward/ Management Consequences

Re-aligning the health and HIV portfolio to Australian Government priorities will be undertaken in 2014-15, with an emphasis on:

1. Supporting PNG Government to establish an Independent Health Procurement authority;
2. Undertaking an independent evaluation of the health and HIV portfolio and developing a new Sector Investment Plan to reflect priorities of the PNG aid assessment, including greater private sector involvement in health;
3. Supporting effective implementation of the PNG Government's *Free Primary Health Care and Subsidised Specialised Services policy*;
4. Continuing to strengthen investments in support of the national TB response (and addressing TB in Western Province) coordinated through a PNG Government-led National TB Taskforce; and
5. Effective resourcing and oversight of the Lae ANGAU Hospital Master plan development and engagement with PNG Government on sustainable co-financing and governance arrangements.

## Objective 2 - Education

### Improved access to quality education at all levels

**Amber**

The amber rating for this sector in 2013-14 is consistent with the 2012-13 rating. The rating reflects steady progress in access to education under the Partnership for Development, but more limited progress in following through on policy reforms, gender parity and education quality. PNG Government budget appropriations in 2013 and 2014 reflected the Government's high priority for the education sector with estimated investments of K2.18 billion (A\$950 million) and K2.38 billion (A\$1.04 billion) respectively. The total donor contribution to the sector was K224 million (A\$97.68 million) in 2013 and K225.3 million (A\$98.22 million) in 2014. However, clear steps to implement

and adequately resource a series of major government education policy reforms were not taken, principally as a result of the PNG Government's limited capacity to effectively implement the ambitious agenda.

### **Australia's Contribution**

The PNG-Australia Partnership for Development contributed to progress in improving access to quality education at all levels in 2013-14. Australia, the largest donor in the sector, provided approximately A\$96 million. Australian support aligned well with that of other donors as a result of regular dialogue, including through the Education Partners Coordination Committee, which Australia co-chairs.

In 2012, the **net enrolment rate** for basic education reached 79 per cent, exceeding the PNG-Australia Partnership for Development target of 74.3 per cent by 2015. Implementation of PNG's Tuition Fee Free policy contributed to the accessibility of schooling. Subsidies have been distributed directly to schools since 2012, a significant achievement in PNG. In 2013, the Australian Government contributed subsidy funding for 4,159 elementary schools with a combined enrolment of over 600,000 children. In 2014, the PNG Government increased its share of subsidies to schools, providing the opportunity for Australia to concentrate its support on improving the accountability and transparency of subsidy distribution. With Australia's support, the accuracy, timeliness, transparency and accountability of disbursement continues to improve.

Despite improvements in access, however, there has been no progress in increasing the proportion of girls enrolling in basic education in relation to boys with the **gender parity index** of 0.91 remaining well below the 2015 target of 0.97.

Increased school enrolments generate demand for additional school resources. Australian support for **school infrastructure** is helping, with 88 classrooms, 44 teacher houses and 44 ablution blocks built in 2013. An additional 178 classrooms, 89 teacher houses and 89 ablution blocks are under construction. The ablution blocks will address a key barrier to girls remaining in school.

While enrolments in basic education have increased, the **quality of basic education** in PNG remains a key concern. The Early Grade Reading Assessment (EGRA), conducted in four provinces, and the Pacific Islands Literacy and Numeracy Assessment (PILNA), indicated concerning low levels of student performance. While Australia's support to curriculum and teacher training programs has been an important step to increasing education quality, this remains a key weakness in PNG's own education reforms. Both governments continued to pursue improved access to **quality education at PNG's universities**. The PNG Office of Higher Education (OHE) is demonstrating strong leadership, and policy dialogue between the OHE and DFAT has been effective. Six universities have completed assessments to identify measures that will improve the quality of the universities' governance, academic programs and research. UPNG will receive additional assistance to implement the findings from its assessment, under the Joint Understanding (JU). PNG and Australia have also agreed to work together on activities supporting priority infrastructure of UNPNG.

**Australia Awards** (scholarships) contribute to equitable economic growth and poverty reduction in PNG through the development of men and women who are able to apply expertise and experience to benefit their workplace and society. In 2013, the program provided awards (focused on postgraduate study) to 154 Papua New Guineans to study in Australia. The Program continued to address challenges faced by scholars in Australia to increase the graduation rate. Of 258 alumni surveyed in 2013 (awardees from 2006-2010), almost all were found to be currently employed or studying. The program also contributed to strengthening the quality of higher education in PNG and continued to provide 15 per cent of awards to academics in PNG's higher education sector. Australia Awards were also provided to 450 nursing, midwifery and community health students to study in PNG. This was to specifically respond to severe rural health workforce gaps.

The revitalisation of **Technical and Vocational Education Training (TVET)** in PNG remains a long term effort which will require significant resourcing, including potential opportunities to leverage private sector funding, and PNG Government commitment. Planning undertaken in 2013-14 for this subsector should help to address PNG's need for skills development and anticipated increases in secondary and post-secondary enrolments. Engagement with the private sector will help identify the skills shortages that need to be addressed. The Port Moresby campus of the Australia Pacific Technical College (APTC) also provides opportunities to leverage TVET investments.

### **Key Risks and Challenges**

Australia's move away from directly financing service delivery needs to be managed to ensure that PNG is able to make informed decisions as to how they will deliver these services over the coming years. The success of the Tuition Fee Free policy on increasing enrolment numbers, particularly in the basic education sector, needs to be matched with stronger accountability and performance measures for the implementation of these funds at the school level. With more children attending school there is a risk that the quality of education will decline due to pressures of class sizes, insufficient teachers and a lack of teaching materials. National and provincial leadership and coordination by PNG government will be critical to improving the quality of teaching and learning for all sectors and to tackling gender equity which remains a serious challenge.

### **Way Forward/ Management Consequences**

Future Australian support in education needs to support better learning at all levels and a move away from direct financing of service delivery, in line with the PNG Aid Assessment in 2014-15. They will include:

1. Support for basic and secondary education will re-focus on developing PNG's teacher workforce to address the quality of teaching and learning, particularly in rural areas. This investment package will include support for pre-service and in-service training in partnership with higher education teacher training institutions and the Provincial education divisions;
2. Winding up the direct funding mechanism to the National Department of Education and moving towards greater utilisation of capacity development assistance, economic diplomacy and private sector engagement to leverage partnerships;
3. Continuing high level engagement with the PNG government to implement a program of quality assurance to strengthen higher education and TVET sectors, and to trial innovative partnerships at the institutional level;
4. Completing a gender audit of the program's activities to inform future investment and complement a shared approach with education stakeholders including the World Bank and UNICEF;
5. Building on its current Australia Awards program when a new program begins in mid-2015. This will ensure scholarships help to strengthen PNG's leadership capacity and seek greater ties to Papua new Guinean leaders through an expanded alumni engagement;
6. Continuing to strengthen accountability and performance within the sector by supporting improved data collection and analysis, including monitoring and evaluation and research to assist partners make evidence based decisions.

## **Objective 3 – Law and Justice**

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**Objective: Improved law and justice**

**Amber**

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The program's progress towards achieving its law and justice sector objectives in 2013-14 is rated amber, and is consistent with the 2012-13 APPR. While a number of achievements are noted, there is insufficient evidence to demonstrate progress at the outcome levels.

The PNG Government has a long-term goal of achieving “a just, safe and secure society for all.”<sup>6</sup> In its 2014 budget, the PNG Government identified and funded a number of law and justice sector priorities including the professionalisation of the Royal Papua New Guinea Constabulary (RPNGC); combatting corruption - including the establishment of the Independent Commission Against Corruption (ICAC); increasing village court officials’ allowances; and increased funding for the National Judiciary. Since July 2013, a number of laws and/or legislative amendments have been passed by parliament. The Family Protection Act, for example, makes domestic violence a stand-alone offence for the first time and increases the ability to obtain protection orders.

For many years, the RPNGC has been chronically under-resourced. Unfortunately this continued in the 2014 budget, with funding of only K364.8 million (A\$159 million) - less than 2.7 per cent of the total budget. In February 2014, PNG was publicly ‘grey listed’ as having serious deficiencies in its anti-money laundering regimes, and serious law and order and corruption constraints to the business and investment environment.<sup>7</sup>

### **Australia’s Contribution**

The PNG-Australia Partnership for Development’s law and justice objectives seek to achieve better policing for secure communities, to combat family and sexual violence (FSV), improve access to justice by men and women, and increase PNG capability to deal with corruption. Assistance is provided through separate but complementary programs including: the DFAT PNG-Australia Law and Justice Partnership, the Australian Federal Police (AFP) PNG-Australia Policing Partnership, the Strongim Gavman Program’s (SGP) legal and prosecution advisers, and the Attorney-General’s Department/AUSTRAC Combating Corruption Project. Collectively, Australia contributed \$63.6 million (K148.9 million) in 2013-14.

Australia substantially increased its support to the **modernisation of the RPNGC** over the past year. By the end of 2013, 73 AFP staff were deployed to PNG and working closely with counterparts in Port Moresby and Lae. AFP advisors working with the RPNGC front-counter staff has resulted in improvements in the quality of data recorded at stations. Sustained, these improvements will provide an evidence base to encourage better policing behaviour. Efforts to improve RPNGC patrolling have, however, been of limited success. This is in part due to the limited numbers of RPNGC members available to conduct patrols, and the limited availability of serviceable vehicles. Working with the RPNGC Community Policing team, a program of 10 school visits were conducted in 2014. Feedback from school principals attributed a subsequent reduction in fighting between schools to the RPNGC school visits. The introduction of a new custody management system in Lae, supported by the AFP, has significantly enhanced bail procedures, reducing the average number of prisoners from 130 to 50.

AFP and other Australian-funded advisors, together with the RPNGC and Bougainville police, delivered training to 1,945 police, upgraded PNG police trainers’ capacity and updated training curriculum, including developing family and sexual violence and gender training modules. Australia helped to increase the number of recruits, and supported seventeen senior police officers (2 women) to graduate from an Australian Institute of Police Management-run Senior Leadership Development Program. Eight of the graduates were promoted in early 2014. In addition, Australia supported the RPNGC to update the Constabulary Standing Orders - the first consolidated review of police policy and procedure in over 20 years. Despite these achievements, community trust and confidence in the police remains low and will require continuous, constant and community-orientated efforts to reverse this. Australia will support the conduct of further community surveys

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<sup>6</sup> PNG Law and Justice Sector Strategic Framework

<sup>7</sup> Asian Development Bank, (2014). The Challenges of Doing Business in Papua New Guinea: an analytical summary of the 2012 business environment survey by the Institute of National Affairs

and police station visits in November 2014 to gather evidence of how overall community perceptions of the RPNGC are changing.

Increasing the numbers of, and access to, specialist police Family and Sexual Violence Units (FSVUs) and **protection from family and sexual violence** remained a priority. FSV is deep-seated and the cultural change to shift perceptions will require a sustained commitment by authorities and communities in PNG.

In 2013, 9,248 women survivors of violence accessed services from FSVUs, an increase from 8,988 in 2012. By the end of June 2014, an additional five FSVUs were opened, bringing the total to 14 FSVUs in 12 provinces. The number of completed Interim Protection Orders granted by magistrates also increased from 49.3 per cent in 2012 to 67.7 per cent in 2013, and ongoing support was provided to FSV prosecutions through advisory support to the Office of the Public Prosecutor. During this period, major legal reforms, supported by Australia, established domestic violence as a stand-alone offence. Reforms also provided village courts with the authority to issue Interim Protection Orders, making access far easier for the majority of Papua New Guineans.

Supporting **improved access to justice** for women and men as an outcome under the PNG-Australia Partnership for Development recognises the vital role **village courts** play in providing security and justice across PNG. Australia continued to support a network of 1,652 village courts, and further increases in the number of female village court officials. By the end of 2013, an estimated 900 female magistrates had been appointed, up from only 10 female magistrates in 2004. In 2014, the PNG Government substantially increased allowances to village court officials. An Australian-funded competency-based training curriculum for village courts officials and another for land mediators are nearing completion and will help to improve the quality of local dispute resolution. Australia's infrastructure investments have increased access to justice by the provision of courts and allowing permanent legal and judicial presence. For example, support to the Public Solicitor's Office (PSO) **increased access to legal aid** across the country by expanding the numbers of branch offices and legal aid desks to 19. The PSO also created a new section in 2013 to specifically address the needs of victims of domestic violence, sexual violence and persons with HIV/AIDS. Despite these achievements, poor coordination within the sector still hampers the effective delivery of justice services. Access to the district and higher courts remains limited by distance, cost and lack of awareness of legal rights.

During this period, Australia also continued to support PNG-led efforts to **combat corruption**, including its investigation and prosecution capacities. This work was assisted through the placement of advisors from Australia's Attorney General's Department (AGD) in the Office of the Public Prosecutor and AFP advisory support to the Fraud Squad. Improved processes and legal practices introduced into the Office of Solicitor General also helped ensure that no default judgments were entered against the state in 2013 - a major source of fraud in the past.

Australia continues to support PNG's efforts to establish an **Independent Commission Against Corruption (ICAC)** and to improve its compliance with international **anti-money-laundering and counter-terrorism financing standards**. This includes work to harden legislative and regulatory regimes, improve law enforcement and regulatory capacities, and enhance policy-making and inter-agency coordination.

### **Key Risks and Challenges**

Improving outcomes in PNG's law and justice sector is affected by a wide range of factors. High rates of crime coupled with low levels of trust by the community and businesses in the police and judiciary remain a challenge. Failure to enforce the law is seen as a cause as well as a consequence of increasing corruption. The per capita numbers of police, judicial and other law and justice officials remain very low by international and regional standards. While recruitment of more police is a PNG Government priority, the capacity to train and provide the necessary support to them, including

housing, is very limited. Setting strategic priorities and coordinating across the sector is a particular challenge given the large number of constitutionally independent PNG agencies involved.

### Way Forward/ Management Consequences

Ongoing Australian support to the law and justice sector needs to improve the impact of Australia's total investment and the evidence base on which to judge performance. In 2014-15, this will be assisted by:

1. Completing the **Sector Investment Plan** to guide Australia's support across all complementary investments in the sector. This will form the basis of mutual priorities and commitments with PNG, including performance benchmarks that reflect both Governments' commitment to increasing the impact and effectiveness of Australia's aid;
2. Finalising the **design of Australia's law and justice sector program** (following a transitional period). This will include a greater focus on justice services available in communities to improve security and on supporting PNG to progress efforts to combat gender inequality and corruption; and
3. Recalibrating the operating model for the **AFP deployment** in PNG to reflect changing PNG and Australian priorities, particularly in relation to capacity development for the RPNGC.

### Objectives 4 – Transport Infrastructure

#### Improved transport services to facilitate social and economic development

Green

The program's overall progress towards achieving its objectives in the transport infrastructure sector is rated green in 2013-14, and is consistent with the 2012-13 APPR. The aid program has delivered on its commitments, notwithstanding persistent and entrenched challenges.

The PNG Government's commitment to improve the national transport network is evidenced by a 33 per cent budget increase to the transport sector in 2014, to a total appropriation of K2.34 billion (A\$1.02 billion). The amount of K632.5 million (A\$275.7 million), specifically committed for National Priority Roads, far exceeds the K445 million (\$A194 million) target of the PNG-Australia Partnership for Development. To strengthen governance and oversight of increasing infrastructure investments, the PNG Government is considering the establishment of an Infrastructure Development Authority (IDA), with advisory support from Australia and the Asian Development Bank (ADB).

#### Australia's Contribution

Australia's support to transport infrastructure focuses on: maintenance and rehabilitation of PNG's national priority roads; improvement of aviation and maritime safety and security standards; and operational reform of the transport sector agencies. Australian assistance to the sector is delivered through an integrated program that includes the Transport Sector Support Program (TSSP), Whole of (Australian) Government support through the Strongim Gavman Program (SGP) and the PNG/Australia Transport Memorandum of Understanding (MOU). TSSP expenditure for 2013 was approximately \$75 million.

Approximately 73 per cent of Australia's expenditure in this sector was directed towards PNG's **national priority roads network**. This investment primarily supported maintenance activities on approximately 50 per cent of the national priority road network in 12 provinces - equating to 2,705km of PNG's most economically important roads, including the Autonomous Region of Bougainville. Highway rehabilitation and resealing was also undertaken in many provinces. Mobilisation of the Oro bridges replacement project commenced drawing upon a 2007 Performance Grant of A\$35 million.

A Visual Road Condition Survey (VRCS) of the entire national road network, which mobilised in late 2013, will improve the level and detail of data on actual road conditions.

Australia is also supporting PNG with a major survey and design study for the Ramu-Madang Highway.

In addition, Australia has played a significant role in PNG's recent aviation and maritime policy reforms. Over the course of the year, the TSSP supported **upgrading security screening at Jacksons Airport in Port Moresby, and safety equipment** at various sites to improve aviation and maritime safety. Positive dialogue between the two countries was exemplified by the annual Senior Transport Officials Meeting that included the Australian Deputy Prime Minister and PNG Minister for Transport.

Investments through the TSSP, SGP and MOU have strengthened **capacity in partner agencies** including for the maintenance of transport assets, procurement and contract management, planning, budgeting, and sector coordination. Through these delivery mechanisms, Australia has supported 10 departments to plan, design and deliver transport sector investments of over K159 million. A Quarterly Roads Maintenance Committee (QRMC) that provides strategic oversight of the national maintenance program was established by the Department of Works with TSSP support. It includes the PNG Government and all major donor agencies in a major initiative to more effectively coordinate activities across the entire road network. In 2014-15 Australia will extend the TSSP capacity building support to key central agencies that directly influence sector budget and planning.

In 2013, a transition period between TSSP Phases 1 and 2 resulted in the demobilisation of a number of key policy advisers. Notwithstanding this, the program continued to support a range of cross-cutting policy initiatives and **gender-focused activities** through the Gender and HIV/AIDS Human Resource Reference Group. The TSSP supported four sector agencies to develop their gender policies and five agencies to develop workplace HIV/AIDS policies. All TSSP road contracts include the requirement for HIV/AIDS and domestic violence awareness activities.

The aid program is also **improving relevant knowledge** within the sector. DFAT commissioned a Research Working Paper *"Travelling Together: improving the access of people with disability to road infrastructure in Papua New Guinea"* (March 2013). This was followed by publication of the *"Universal Design Principles - Accessibility Design Guide"* to support improved infrastructure designs.

### **Key Risks and Challenges**

The impact of Australia's support to PNG's infrastructure sector in the future will be affected by a number of challenges and risks. **Systemic financing, procurement and implementation capacity constraints** exist within the sector, and more broadly across the PNG Government. The sector is well coordinated by way of regular meetings of the Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC) attended by ten PNG Government transport agency heads, key central finance and planning departments and major donors. TSCMIC serves as the mechanism to produce a sector wide budget submission that prioritises projects according to national planning blueprints. Unfortunately, decisions on infrastructure projects are often made without considered input from officials, resulting in project cancellations or commitments to new and large infrastructure activities without rationale or planning. Improving transparency and accountability in budget processes and decision-making in the transport sector will continue to be a focus of Australia's engagement.

Opaque budget processes also make it **difficult for transport sector agencies to develop investment plans**, including maintenance works. Consequently there are only limited pipelines of tender-ready projects, due to the uncertainty inherent in the process. This is compounded by delays in the procurement process within the Central Supplies and Tenders Board (CSTB), the State Solicitor, and the NEC. Ongoing attention to these issues through Australia's aid investments will continue to be important.

Delays to the mobilisation of TSSP2, and the resultant slowing of momentum and capacity building gains from the first phase, have caused some concern and uncertainty within PNG partner agencies. It will be important for Australia to move quickly to the start-up of TSSP2, while ensuring the second phase reflects Australian Government priorities for private sector engagement and Aid for Trade objectives, commitments under the Joint Understanding, and continues a focus on cross-cutting issues including gender, disability, and HIV/AIDS.

### Way Forward/ Management Consequences

The further alignment of work under the transport infrastructure sector to Australian Government priorities will be progressed in 2014-15, with an emphasis on:

1. Negotiating mutually agreed benchmarks and an incentives package with the PNG Government, including a **“maintenance first”** approach with transport agencies, budget reforms promoting maintenance and procurement reforms;
2. Engaging with the PNG Government on new infrastructure agencies such as the IDA and the High Impact Project Office (HIPO) to develop harmonised roles in the transport sector, improve implementation and avoid duplication;
3. Moving towards larger, more complex road rehabilitation projects and **taking on a direct role in the construction of major strategic projects**, if agreed by both governments. This implies addressing lengthy procurement constraints including direct procurement through the Independent Service Providers (ISP); greater attention to scoping, design, and supervision; and managing unrealistic political expectations;
4. Continuing to support **management information systems** that promote evidence-based decision making by funding surveys, feasibility and design studies for major infrastructure projects, as well as the Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC) to improve its Monitoring and Evaluation capability;
5. Promoting **greater private sector engagement and participation** in the roads sector and new international and local entrants to the tender market;
6. Establishing a Technical Audit facility for Australian Government funded projects, with potential for coverage of Department of Works (DoW) projects and capacity building DoW monitoring and evaluation capacity; and
7. Introducing Road Safety Audits part of major project design processes.

### Objective 5 – Public sector and democratic governance

Objective: Strengthened national and sub-national public sector	Amber
Objective: Strengthened Democracy	Amber

Australia has rated its progress against governance objectives in PNG as amber in 2013-14, an improvement from 2012-13. Overall, Australia’s support has made small but sustained gains against longstanding governance challenges.

PNG continues to experience weak capacity at all levels of the bureaucracy to shape and influence policy and implement high priority programs. This severely impacts the achievement of outcomes across all sectors. There is little accountability and transparency in planning and budgetary decision-making. State-society relationships are also weak, with limited opportunities for civil society engagement with government.

### Australia’s Contribution

A suite of governance activities supported by Australia during 2013-14, which totalled an estimated A\$81 million, complements specific sector governance activities in the four priority PNG-Australia Partnership for Development sectors.

In 2013, Australia provided technical assistance to develop the legislative and governance framework to support effective implementation of the **Sovereign Wealth Fund**.<sup>8</sup> However, the PNG Government's interest in establishing the Fund was overtaken by other priorities (including a loan from UBS Investment Bank to purchase shares in Oil Search). Australia provided support to assist in PNG's candidacy application to become a member of the Extractive Industries Transparency Initiative. This included support through Transparency International to assist in establishing the multi-stakeholder group in early 2014, which is expected to help promote better practice within PNG's extractive industry. Australia's support for the modernisation of the Internal Revenue Commission (IRC) is also expected to assist the PNG Government's ability to raise internal revenues through increased staff and staff retention, and improved management and information systems.

Improving **PNG's business environment** has also been an element of Australian assistance over the past year. For example, a quality assurance of PNG Power's 5-year pricing model, supported by Australian advisers, identified a number of errors in the calculation of fees. Electricity prices were subsequently lowered for all electricity customers, saving households and businesses approximately K126 million (A\$54.9 million).<sup>9</sup> Australia supported the Independent Consumer and Competition Commission (ICCC) to assess a code-share agreement between Air Niugini and Qantas. ICCC's rejection of the code-sharing arrangement helped maintain competition within the industry.<sup>10</sup> Australian technical support also influenced the PNG Government's decision to establish a Rural Airstrips Agency which will oversee airstrip maintenance plans.

Australian aid assisted the PNG Government with **national budget and planning** outcomes. In 2013, with Australian support, PNG's recurrent and development budgets were nominally integrated, and multi-year budgeting was introduced. Australian advisers provided economic policy advice to the PNG Government in the preparation of the 2014 Budget. The National Economic and Fiscal Commission (NEFC) Reform of Intergovernmental Financing Arrangements (RIGFA), a Government of Australia-led reform from 2009, assisted in improving the allocation of funding for services to provinces. The Provincial and Local Level Government Program (PLGP) assisted in determining grants to provinces that included two new provinces of Hela and Jiwaka, and supported the Village Court Secretariat to introduce a structured payment system to village court officials.

Australia is also supporting the PNG Government to improve planning, accountability and transparency by **provincial and sub-national governments**.<sup>11</sup> The Provincial Capacity Building Program (PCaB), in partnership with PNG's Department of Finance, helped ten provinces submit financial reports and bank reconciliations to comply with finance regulations. The NEFC continued to publish its yearly Provincial Expenditure Review, outlining how provinces spent their function grants from the National Government. Regional workshops based on the report were well attended by provincial and national agencies and encouraged higher levels of discussion around reporting on service delivery outcomes. In 2013, PLGP advisers assisted eleven provinces to deliver development and corporate plans to guide more efficient and effective public administration. Through PLGP's assistance to NEFC, there has been a 60 per cent improvement in the timeliness of budget submissions by provinces.

During 2013-14, SGP supported the PNG Auditor General's Office with the submission of three major audits to the PNG Parliament: a performance audit on the management and reporting of trust accounts; an internal financial audit of the District Services Improvement Program (DSIP); and a review of the Integrated Financial Management System (IFMS) Project.<sup>12</sup> In addition, 2013 saw an increase in the number of audit committees operating at the provincial level. SGP also supported a

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<sup>8</sup> Technical support provided under the Strongim Gavman Program to the PNG Department of Treasury, SGP QAI 2013-14.

<sup>9</sup> SGP Treasury Team Leader, SGP Treasury Progress Report 2013-14, email, 27 April, 2014.

<sup>10</sup> EPSP Annual Report, 2012-13

<sup>11</sup> PLGP Annual Report 2012-13

<sup>12</sup> SGP Finance Six Monthly Report July –December 2013.

rolling audit of non-compliance activities within the PNG Ports Authority, which resulted in 3 of 7 previously non-compliant security plans achieving compliance.

The PNG Microfinance Expansion Project (MEP) designed 32 new products to enable access to low-cost savings and loan opportunities for Papua New Guineans. Business mentors have also been engaged by partner financial institutions to offer advice and support to businesses seeking loans, and to date 13 newly developed training modules have been deployed, training over 20,000 clients (over 40 per cent of whom are women).

Australia continues to support PNG Government accountability by encouraging **engagement between communities and government**. In 2013, through CARE's Integrated Community Development Programme (ICDP), Australia continued its piloting of ward planning in Obura-Wonenara (in Eastern Highlands Province), Menyamyne (in Morobe Province) and Gumine (in Chimbu Province). The pilots have focused on enabling communities to seek improvements to a range of public services, including through the pooling of community resources to augment those provided by the Government.

Australian aid provided support to the **PNG Electoral Commission** ahead of the Local Level Government (LLG) Elections, ensuring that key electoral materials (including ballot boxes and ballot papers) reached polling places across the country on time, and voters were able to exercise their right to vote.<sup>13</sup> A voter awareness program supported 37 civil society organisations to reach 290,000 voters. An extensive, nation-wide multimedia campaign was also conducted with support from the aid program. The awareness also provided training and materials to potential female candidates. Anecdotal, a number of those women who were elected acknowledged the support was useful, and assisted in their election.<sup>14</sup>

In 2013, the Australian Government worked with the Department of Personnel Management to implement the PNG Government's Gender Equity and Social Inclusion Policy and the relevant sections of the public service General Orders. There has been a high level of interest from PNG departments and agencies, and the program is also being rolled out to a number of pilot provinces. The Australian Government also supported the establishment of the **Business Coalition for Women**. The Coalition brings together like-minded businesses across PNG to share, learn and encourage best practice to: address violence at home and in the workplace; develop gender smart workplace policies and practices; promote women's leadership; and expand opportunities for women in the economic supply chains. The Coalition held its first meeting in April 2014. At a provincial level, Australian advisers supported the Provincial and Local Level Services Monitoring Authority (PLLSMA) to table gender issues at its quarterly meetings. Gender issues have also come to form an integral part of the corporate planning review of provinces. At the community level, Australia facilitated a partnership between the United Church and PNG Micro Bank resulting in over 200 women gaining access to real-time banking using mobile phones.

The Australian High Commission has continued its engagement with the business community to identify opportunities for the aid program and the private sector to work together toward common development objectives. The governance program worked with the private sector in other ways, including through co-financing a number of social programs including Buk bilong Pikinini (early childhood education), City Mission (training and work placements) and Ginigoad (skills training).

### **Key Risks and Challenges**

A range of deep-rooted and complex governance issues can be expected to continue to challenge PNG's development prospects and limit the achievement of aid program outcomes: poor accountability for public expenditure and service delivery outcomes; lack of service delivery capacity

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<sup>13</sup> ESP Completion Report, 2013

<sup>14</sup> Anecdotal information from Centre for Democratic Institutions (CDI)

both within the public and civil society sectors; weak or misdirected leadership; contested responsibilities between government departments and levels of government; a disconnect between planning, budgeting and actual delivery of services; and overly complex management systems and authorities.

### Way Forward/ Management Consequences

Recognising the immense governance challenges in PNG, and reflecting Australian Government aid priorities, the governance program will focus on the following areas in 2014-15:

1. Building our dialogue with the private sector to identify where the Australian aid program can target opportunities to support sustainable economic growth and improved health and education services and best align resources and messages to support shared reform and development objectives;
2. Supporting the PNG Government to build an effective public service, by increasing investment in Government-to-Government advisory support through the Strongim Gavman Program and by partnering with PNG Government to establish a new School of Government;
3. Increasing support to PNG Government to prepare for the General Elections in 2017 (including through support to improve the electoral roll) and to implement the Bougainville elections in 2015;
4. Supporting PNG Government improve its accountability within a context of increasing revenue base, including supporting a detailed analysis of the authorities over public expenditure to inform innovative ways to overcome misappropriation;
5. Increasing engagement with PNG reform champions who support reforms for more accountable and better functioning national and sub-national governments;
6. Continuing support to bottom-up community-level planning and strengthening community-driven development approaches;
7. Developing innovative approaches including social media and mobile phone technology to support social accountability and government scrutiny by citizens;
8. Preparing a new bilateral agreement and program design for the Kokoda Initiative to commence in 2016; and
9. Finalising the design of Australian Government investments in governance that will align the different components of the governance program.

### Crosscutting:

### Disability

#### Objective: Disability-inclusive development

**Amber**

Australia has rated its progress against disability inclusiveness as amber for 2013-14, a rating consistent with 2012-13. Australia has made good progress towards adopting disability inclusive investments, but there is still considerable room for improvement.

#### Australia's Contribution

The aid program has strongly advocated for disability inclusive development with the PNG Government and our implementing partners. In 2013, with Australian Government support, the PNG Government ratified the *United Nations Convention on the Rights of Persons with Disability* (UNCRPD). Australia is now supporting a collaborative process to develop a **National Disability Policy** for PNG. In addition, the PNG Assembly of Disabled Persons provided capacity building training to five provincial disabled persons' organisations. The training focused on effective governance, advocacy and economic empowerment.

The Australian Government funds disability projects in PNG by partnering with disability organisations such as Callan Services who support special education teachers through Special Education Resource Centres (SERCs). Australia also funded Volunteer Service Overseas (VSO) to develop pre-service courses for teachers on disability and improve screening and access to disability support services for children currently not in school. During the local level government (LLG) elections in 2013, Australia's Electoral Support Program piloted electoral approaches in four LLGs across the country to raise awareness concerning people with disabilities (PWD), to increase registration of PWDs through mobile voter registration teams walking house-to-house, and to assist PWDs to vote through mobilisation of volunteers to polling places.

Through the Pacific Regional Blindness Program, nurse training is steadily increasing the country's access to high quality eye care. In 2013, Madang and Kimbe clinics undertook over 10,000 clinic consultations, over 400 surgeries, and dispensed 2,700 pairs of spectacles. Four outreach clinics provided over 2,700 outpatient consultations and more than 300 surgeries; and eight nurses successfully completed their Postgraduate Diploma in Eye Care at Divine Word University. Three people living with disability were provided with Australia Awards in 2013.

In Incentive Fund Phase 3, disability inclusion was promoted within the recipient organisations as one of the key social inclusion themes through the corporate, project and service delivery levels. The guidance and tools provided by Incentive Fund helped the Department for Community Development to publish a handbook on social inclusion. Through this handbook Department of Community Development provides guidance and training to organisations (including other donor funded projects) on mainstreaming social inclusion within their projects. In Lae ANGAU General Hospital, funding was allocated for disability equipment and ramps for people with disability were built during construction of building. The project team hosted a disability workshop which resulted in the formation of Provincial Association of People Living with Disability (PLD).

However, Australia has been inconsistent in the application of disability inclusive development across its aid program in PNG. For example, the Law and Justice Infrastructure Impact Evaluation found that Australian-funded infrastructure had not been meeting the needs of people with disability nor did they conform to Australian building standards. Wheelchair access and lighting for the visually impaired was very limited and there were no examples of suitable ablution facilities.

### **Way Forward / Management Consequences**

There is ample scope to improve Australia's approach to disability inclusive development in PNG in 2014-15. Emphasis will be given to:

1. Continuing to integrate disability-inclusive measures into all aspects of Australia's aid program to PNG, addressing the vulnerabilities of people living with disabilities; and
2. Working with the private sector to identify ways in which workforce participation for those with disabilities can be further supported.

### **Gender equality and women's empowerment**

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**Objective: Gender equality and women's empowerment**

**Amber**

Progress against gender equality and women's empowerment was rated amber in this year's APPR, reflecting some steady progress in Australia's interventions towards meeting gender targets in a highly challenging context. Important measures to mainstream gender and support women's empowerment were adopted.

In almost all respects, women and girls in PNG are significantly worse off than their male counterparts. Women and girls are less educated, suffer high death rates related to pregnancy and maternal health issues, and have less access to law and justice services. Women are less likely to be employed in the formal sector, and for those who are, they are paid significantly less than men. Women grow most of PNG's food, but are unable to translate this into secure business ventures, partly due to limited access to markets and financial services. As they work primarily in the informal sector, women have little access to social support and recognition, and typically have poor working conditions.<sup>15</sup>

### Australia's Contribution

The Australian Government recognises that gender equality and women's empowerment are critical to PNG's economic and human development and are therefore also critical cross-cutting issues for Australia's engagement in PNG. Australia's Foreign Minister has placed a high priority on Australia's aid program to advance women's leadership; increase women's economic empowerment; and to end violence against women and girls. As agreed in the PNG-Australia Partnership for Development, gender is mainstreamed across the four priority sectors. The Australian-funded *Pacific Women Shaping Pacific Development (Pacific Women)* program has also added critical investments to support these objectives.

In 2013-14, 52 per cent of Australia's aid spend in PNG had gender as a significant principal target. In the education and health sectors, over 97 per cent of programs had a primary or significant focus on gender for both financial years.

Under *Pacific Women*, the role of PNG women in community driven development projects has been a particular focus, as has research to increase the understanding of factors that contribute to women's success in achieving political office. Australia supports the *UN Women Safe Cities* program which impacts women's income earning capacity. In 2013, Australia funded the *Business Coalition for Women* to support the mentoring of **women business leaders** and facilitate connections between Pacific women in private enterprise with Australian businesses. Through CARE, Australian aid is also supporting women's advocacy to reform the coffee industry and open cash cropping opportunities for women farmers in remote areas of Eastern Highlands Province.

Australia's aid program has supported gender and women's empowerment through diplomacy and the work of sector aid investments. The High Commissioner is leading on the planned implementation of a whole-of-post gender working group. In education, Australia supported the Department of Education to achieve **universal basic education** and improve **water and sanitation** in schools – an important factor in girls' attendance. More than half of the 1,800 Papua New Guineans who have gained internationally recognised qualifications from an Australian university through the **Australian Awards** have been women. Support through the transport sector has advocated for women's empowerment, and gender friendly workplaces and policies – including FSV. During the year, Australia's assistance to Bougainville focused on the increased participation of women through governance and peace mediation training, and awareness sessions on family and sexual violence.

In the **Law and Justice sector**, the opening of an additional five Family and Sexual Violence Units (FSVUs) in 2013-14 enabled 9,248 women survivors of violence to access and receive services from 14 FSVUs. The number of female village court magistrates and officials also continues to grow.

### Key Risks and Challenges

Promoting gender equality and women's empowerment in the PNG context is challenging. Women and girls continue to face extremely high levels of FSV. The ability of women to make choices to improve their lives remains substantially limited by their literacy and general education. PNG is

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<sup>15</sup> Ibid, p53

ranked 138 out of 143 countries for women's participation in national parliaments, and despite the PNG Government's legal and policy rhetoric to gender equality, there has been little direct spending allocated to addressing women's equality. Analysis of the 2014 PNG budget estimates that the PNG Government has allocated only K1.5 million (A\$0.654 million) to specific gender initiatives. Progressing objectives in this area would benefit from a cohesive gender strategy and a monitoring and evaluation framework for Australia's aid to PNG. This would help determine the extent to which progress is being made across the aid program.

### Way Forward/ Management Consequences

To make better progress on gender equality and women's empowerment in 2014-15, emphasis will be placed on:

1. Maintaining momentum on *Pacific Women* and ensuring gender remains a priority issue in all sectors;
2. Identifying incentives within programs to engage PNG Government partners to play more effective roles in improving women's lives; and
3. Designing the next phase of the gender program that will develop a clearer, whole of government approach/strategy and establish effective monitoring and evaluation targets to help aggregate results from - and improve - Australian investments.

### Additional Assistance:

### Bougainville

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**Objective: Stability, Security, Social and Economic Development in Bougainville**

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**Not Rated**

The Autonomous Region of Bougainville continues to face significant challenges typical of a post-conflict context. However, the past 12 months have been transformative for the Autonomous Bougainville Government (ABG). Major undertakings included the establishment of the Bougainville Public Service, preparations for negotiations on the potential reopening of the mine in Panguna, and the ongoing transfer of powers from the national government to achieve full implementation of the autonomy arrangements. The ABG is dealing with a huge agenda of change, which will continue to gather momentum as Bougainville enters a critical period in 2015 with the conduct of ABG elections and the opening of the five year window for a referendum on its future political status.

### Australia's Contribution

Australia's aid to Bougainville aims to support stability, security, and social and economic development. Our support is centred around supporting the implementation of the Bougainville Peace Agreement (BPA), to which Australia is a witness. Australia is also guided by the Joint Review of Autonomy Arrangements – a clear framework for action in Bougainville conducted and endorsed by the ABG and national government.

In 2013-14, Australia provided a package of development assistance for Bougainville totalling A\$38 million. The vast majority of Australia's assistance to Bougainville was delivered through PNG national programs in the sectors of health, education, law and justice, and transport infrastructure. Australia also funded Bougainville-specific initiatives in governance and peace building to help the ABG respond to the particular challenges posed by Bougainville's post-conflict and autonomous status. In consultation with the PNG Government and ABG, Australia is increasing its assistance in Bougainville. Australia's aid to Bougainville is expected to reach up to A\$50 million in 2014-15.

Good progress was made towards a number of strategic objectives in 2013-14 although there is significant room for improvement. Due to the size and complexity of Australia's assistance to Bougainville, sector level progress was assessed instead of giving an overall rating.

The well-established **transport** program performed well, ensuring better traffic conditions along the crucial economic transport corridor (Arawa to Kokopau). With the benefit of the complementary JICA program of 15 concrete bridges operational, the previous 9 hour journey is now reduced to just over 3 hours. The coming year's focus will be on improving the essential road infrastructure in South Bougainville, particularly the southern loop road.

Progress in the **health** sector has also been sound, particularly following the deployment of a technical adviser in July 2013. Focus was given to diagnostic, planning and policy work, assessing the current state of the health system, and putting in place policies and plans to guide health planning. This will facilitate the implementation of activities in 2014-15.

Good progress was made in the **law and justice** sector. A strong infrastructure program was delivered to facilitate the extension of law and justice services, including policing. Similarly, substantial training activities were undertaken to upgrade skills, and preparations made for village court training. Importantly, agreement was reached on a Bougainville Police Service (BPS) action plan (drafted with Australian assistance) to develop policing capacity. This will be implemented in 2014-15, with a focus on facilitating recruitment into the BPS.

The **education** program completed its Bougainville component of a nation-wide elementary school infrastructure program. The Governance and Implementation Fund (GIF) also undertook a pilot adult literacy program that is showing encouraging results. However, the education program needs to strengthen engagement in Bougainville, tailoring its support to the Bougainville context and scaling up to meet the greatest needs in the sector.

In **governance**, Australian assistance helped the ABG reach a number of important milestones, including the establishment of the Bougainville Public Service and the transfer of financial management powers from the national government to the ABG. Australia also supported improvements to overall government coordination and the management of infrastructure delivery. A number of challenges lie ahead - including a major recruitment exercise for the new public service. Australia will need to implement a revised advisory support package, with a greater focus on skills transfer and accountability. However, Bougainville's capacity to absorb support – and retain capacity once built – will remain an issue. Innovative ways to overcome this may include assistance to the ABG to outsource select corporate functions, enabling service delivery partnerships, and developing a cadet program to rebuild capacity over the long-term. Australia will also help to strengthen local-level participation, leadership and planning to assist the ABG to be more responsive and accountable to communities.

Attention to **peace building** issues, including communication on the BPA, increased in 2013-14. The Panguna Peace Building Strategy (PPBS) – a partnership between the ABG and Australia, managed through the Strongim Pipol Strongim Nesen (SPSN) program, has helped progress Panguna area reconciliations and the mainstreaming of non-state actors into state structures. The program will be expanded to parts of South Bougainville in the coming year following recent written endorsement by relevant leaders. On broader peace building efforts, ABG leadership remains the critical ingredient to improving coordination and effectiveness. The UN has an important role in this, particularly through the UN Peace Building Fund (PBF).

### **Key Risks and Challenges**

The year ahead will be another challenging one for Bougainville. Limited government capacity and reach across Bougainville; an under-educated and disengaged 'lost generation' and vulnerable youth population; poor infrastructure and access to services; limited economic and employment opportunities; unresolved grievances from the crisis; and factions that remain outside the peace

process and mainstream democratic processes are among the key challenges that will impact on development outcomes.

### **Way Forward/Management Consequences**

A more consistent performance across Australia's sectoral programs in Bougainville will be needed in 2014-15. Priority will be given to:

1. Developing a plan for the longer term, overarching delivery of Australia's assistance to Bougainville from 2015 to 2020 and corresponding monitoring and evaluation framework, performance benchmarks and mutual commitments;
2. Preparing sector work plans to manage delivery of a scaled-up Australian assistance to Bougainville to improve monitoring of progress and provide greater transparency and accountability;
3. Scaling up assistance in education, with a short-term focus on school infrastructure and TVET and a longer-term focus on strategic planning for improved outcomes in the sector;
4. Offering increased support for policing;
5. Extending the governance program to the local level to foster greater community participation in, and accountability of government; linked to increased support for effective planning, procurement, public financial management and audit processes for the administration;
6. Assisting the ABG to prepare for the 2015 ABG elections and support a post-election induction program for Ministers and senior public servants;
7. Redesigning the Australian and New Zealand funded Governance and Implementation Fund to reflect the evolving Bougainville context as 2020 approaches;
8. Expanding economic development assistance for Bougainville to support private sector engagement, women's economic empowerment, small business development and enablers of economic growth; and
9. Working with the ABG to increase engagement with multilateral financial institutions such as the World Bank, ADB and IMF to support improved economic management.

### **Program Quality and Management and Quality at Implementation Analysis**

The PNG-Australia Partnership for Development sets the overall strategy for Australia's aid engagement in PNG. A performance assessment framework (PAF) to monitor progress against targets across the program was drafted in late 2012, however it was not operationalised. Each sector program has a monitoring and evaluation framework. Health and education also have delivery strategies covering their investment portfolios.

In addition to the corporate requirements to produce QAIs (now Aid Quality Checks (AQC)) and the APPR, the PNG program synthesises the performance of sectors through the Sector Performance Reports (SPRs). Sectors have found SPRs useful as they provide a more complete picture of performance against high level sector outcomes, as opposed to single investment outcomes. Most of the evidence in this APPR is derived from the SPRs.

Sector teams use their Monitoring and Evaluation frameworks (MEF) to generate information and evidence to assess program effectiveness in QAIs, the SPRs and the APPR. Analytical impact studies and other planned evaluations have been undertaken during the reporting period (see Annex C). The Health and HIV program undertook an impact evaluation of medical supply reforms and initiated a portfolio evaluation. The Law and Justice program undertook an impact study of infrastructure investments. The governance program is also undertaking a series of analyses to support the design of the governance investments. This trend recognises the need for strong evidence to support our

investment decisions and results. A new set of benchmarks and mutual obligations will require a review of all sector MEFs and the finalisation of a whole of program PAF.

While the PNG program received satisfactory QAI ratings, with relevance and effectiveness criteria continuing to rate well (100 per cent and 81.48 per cent respectively), only 48.15 per cent of the initiatives assessed in 2013-14 received satisfactory ratings for monitoring and evaluation. Challenges to effective M&E in PNG include unreliable data collection and inadequate processes and procedures. Program managers acknowledge difficulties in monitoring performance in PNG. Strengthened M&E systems of DFAT, other Australian Government agencies and the PNG Government will help improve M&E performance and subsequent ratings. The lack of adequate M&E processes has the potential to compromise the integrity of a program, and will be reviewed to improve the robustness and accuracy of M&E reporting going forward.

The PNG aid program has recognised the importance of strong internal capacity in monitoring and evaluation. To this end, a Monitoring and Evaluation Capacity Building project was initiated in the reporting period. The project will support DFAT staff to better understand data needs, be able to commission improved data collection, enhance program performance assessment and effectively apply and share lessons learned internally and with partners. With the support of an external consultant, a Needs Analysis will inform the work plan for a sustained program of mentoring, training, and helpdesk-style support for staff. Improving the monitoring and evaluation criteria will also likely see an improvement in subsequent QAI efficiency ratings.

Sustainability and Gender Equality (70.37 per cent and 77.78 per cent) rated well, indicating that consideration of the two criteria was consistently applied across the programs. Efficiency received only an average rating, indicating that further consideration is to be given to the methodology applied to implement the program, and whether it represents value for money.

The evaluation pipeline (Annex C) highlights forthcoming evaluations for the PNG program, including the effectiveness of training approaches to capacity development provided under the PNG-Australia Law and Justice Partnership; a review of PNG Transport Sector Support; and evaluations of democratic governance support through the Church Partnerships Program and SPSN.

### Performance of key delivery partners

As well as working with private sector independent providers, the PNG aid program works with many multilateral and NGOs to deliver Australian investments in PNG. Below is an assessment of other key development partners in PNG.

The **World Bank** is active across a range of sectors in PNG. Australia has and will continue to look for opportunities to expand our partnership with the World Bank Group.

As of October 2013, the Bank's cumulative lending (IBRD and IDA) to Papua New Guinea was US\$208.77 million for 16 active projects focusing on infrastructure, mining, agriculture and youth. The Bank's footprint in PNG is modest, but they remain an important actor able to deliver messages on a range of public and financial management issues. Most recently, this has included analysis and contributions to public debate on the cost of crime to PNG's economy and the disincentive it poses to foreign direct investment. With Australian support, the Bank has also begun delivering a range of initiatives to support our increasing engagement in Bougainville, particularly ways to address the gender gap.

IFC operations in Papua New Guinea are also modest but growing. The IFC has increased its commitments from US\$1.2 million in 2006 to more than US\$200 million in 2012. Their focus remains on supporting small and medium enterprise. In PNG the IFC, for example, is working on ways to develop mobile banking to better provide farmers small scale producers and rural women with a safe and secure way to transfer money.

The **Asian Development Bank's (ADB)** presence is the largest of the relevant international financial institutions (IFIs). As of December 2013, its loan's portfolio was approximately US\$1.9 billion. This represented 85 loans across 10 sectors, the largest of which was transport. The focus on transport helps the ADB work towards the objective of allowing for more efficient and safer movement of people and goods around the country. This is vital for creating livelihood opportunities and improving access to basic services.

In 2013-14, the Asian Development Bank (ADB) strengthened its oversight of the DFAT co-financed Rural Primary Health Service Delivery Project and coordination with development partners. Joint priorities in 2014-15 include a focus on communicating partner investments and managing expectations of provinces with civil works investments.

**The United Nations** remains an important partner and is able to advocate on a range of issues that are best delivered by a multilateral organisation. Over the last 12 months, the change in leadership of the UNDP's PNG operations has brought with it positive progress. Under a new Resident Coordinator, previous gaps in capacity are being filled. To better support the UNDP coordination role, we have agreed to fund additional administrative and monitoring and evaluation resources. These are currently being filled. To better help in the administration of the One UN Fund, post has agreed to use it as the mechanism through which to fund all UN agencies in PNG and will only consider proposals seeking Australian funding twice a year. The UN is well positioned to support Bougainville. Australia encourages the UN to take on greater leadership and action in relation to Bougainville especially in peace building and referendum activities. Implementation of the UN Peace Building Fund activities (UN Secretary-General declared PNG eligible for PBF in 2013) is an opportunity for the UN to constructively re-engage as a stakeholder in Bougainville's peace process.

The **World Health Organisation's** technical specialists have played key roles in coordinating national programs and facilitating international reviews. **UN Women** has been key in implementing innovative programs such as the UN Safe Cities Program. Results are noteworthy.

## **Risk Management**

The key risks in PNG that require consistent senior management attention remain security and fraud. The physical security environment in PNG poses significant risks for personnel and requires a comprehensive security management framework to mitigate risk exposure. Security awareness training and ongoing monitoring of the situation ensure that risk management measures are implemented as appropriate.

A key risk to the aid program in PNG is the high rate of fraud in PNG. In 2012 the Australian and PNG Governments signed a commitment to 'Zero tolerance to fraud' in the aid program, and this is communicated regularly with partners and the general public. A fraud forum was established to discuss and progress high level fraud cases with key partner government agencies. Fraud awareness training is provided to DFAT staff, partner agencies, multilateral partners and NGOs. A new fraud strategy was implemented and is supported by the Risk and Fraud Management Plans and program fiduciary risk assessments at post in Port Moresby.

Post regularly updates its internal risk registers through periodic discussions coordinated by the Risk Section, Operations Team. Program Managers also discuss and monitor risk registers maintained by managing contractors. A visit to Post by the Director of DFAT's Aid Risk Management team, in April 2014, recommended continuation of this, and further emphasised the ongoing improvement of risk management process and documentation in order to strengthen the Aid Program's overall risk management culture.

The risk matrix attached as Table 2 (below) indicates key risks at a country level.

**Table 2: Australian Aid Program Risks**

<b>Key risks</b>	<b>What actions were taken to manage the risks over the past year?</b>	<b>What further actions will be taken to manage the risks in the coming year?</b>
Security environment in PNG continues to present serious concerns for staff safety.	Continued robust security management framework in Port Moresby to mitigate risk exposure Security awareness training is provided to staff travelling to PNG.	Ongoing monitoring of the security risk environment to ensure the identification and implementation of appropriate risk controls. Regular communication with staff to ensure the security environment is understood and policies and procedures are adhered to.
Australian Aid Program (AAP) funds are mismanaged or lost through fraudulent means.  Reputational damage to the AAP by having large unresolved fraud cases.	Consistently applied the 'zero tolerance to fraud' policy across the aid program; High level support to PNG Government departments, NGOs, ISPs to fight fraud and corruption. Established the fraud forum to discuss and progress high level cases with key partner government agencies. Open and frequent dialogue between DFAT and DNPM will also help to reduce instances of large, unresolved fraud cases. Maintaining a zero tolerance policy on fraud and ensure this is communicated regularly with partners and the general public.	Continued pursuit of outstanding funds until they are returned, for example, recent agreements regarding a Law and Justice sector fraud case. Address unresolved fraud with partial and/or full suspension of activities. Pursue and prosecute offenders through due legal process. Prioritise anti-fraud measures in program delivery. Maintain our policy settings on fraud and continue to advocate with the Government of PNG on the need to address fraud in a timely manner when it arises.
Australian Aid Program staff lack capacity to conduct or manage analysis to inform strategies and lead policy dialogue.	Partnership for Development (P4D) and Performance Assessment Framework (PAF) support better M&E and data collection.	Continue to focus on robust monitoring and evaluation across Australia's aid investments in PNG, such as improving whole of government performance frameworks, building staff capabilities in M&E and improving cohesion with and between sectoral investments; Bougainville will develop a standalone monitoring and evaluation framework.
Perception by either Government (Australia or PNG) that they are failing to deliver on the Joint Understanding commitments (JU)	High level Australian liaison with senior PNG politicians and officials	Continued dialogue

## Management Consequences

In 2014-15, Australia will work towards achieving program objectives by:

- Developing a PNG Aid Investment Plan that will outline where, why and how Australian aid will be delivered in PNG after the existing Partnership for Development concludes in mid-2015 and the expected results to be achieved. The AIP will align to Australia and PNG's shared objectives for the aid program, it will be based on the recommendations from the aid assessment and be guided by the new Aid Policy and PNG's Medium Term Development Program 2015-2018;
- Developing jointly between Australia and PNG a set of robust performance benchmarks and mutual obligations, including a concrete approach to gender. Performance benchmarks will reflect expected results from Australia's aid investments in PNG as well as significant milestones, and measures of improved operational effectiveness to assess progress against the new AIP. Mutual obligations will outline the key commitments from the partner government that contribute to shared development outcomes;
- Increasing Australia's aid to Bougainville to up to \$50 million in 2014-15 to include a focus on supporting implementation of the autonomy arrangements under the Bougainville Peace Agreement and the ABG's capacity to deliver basic services such as policing and technical education ahead of the election, and expand the aid program to Bougainville's least developed areas – predominantly in the south;
- Developing a monitoring and evaluation framework, performance benchmarks and mutual commitments as well as multi-year sector specific work plans for Bougainville;
- Expand support for women's empowerment, including a focus on women's effective participation in the economy; women's leadership in public life; and improved security in public and private spaces, including a specific focus on these issues in Bougainville;
- Agreeing a framework for implementing future private sector development programs, including in agriculture. The Governments of Australia and PNG will establish a working group to develop an agreed approach prior to the 2014 Senior Officials Meeting;
- Supporting the PNG Government to build a more effective public service, by increasing investment in Government-to-Government advisory support through the Strongim Gavman Program and by partnering with the PNG Government to establish a new School of Government;
- Designing and commissioning a new phase of the Incentive Fund program (Phase 4). The new phase will build upon its success from the previous phases, incorporate lessons learned, and will seek to leverage service delivery and economic development outcomes by engaging the private sector along with more traditional partners;
- Increasing engagement with the private sector to determine opportunities for developing partnerships with business to support sustainable and equitable growth in PNG;
- Addressing vulnerabilities of people with disabilities carefully in all future designs, including Law and Justice, Governance and Incentive Funds;
- Focussing on robust monitoring and evaluation across Australia's aid investments in PNG, such as improving whole of government performance frameworks, building staff capabilities in M&E and improving cohesion with and between sectoral investments; and
- Continuing the close monitoring of Australia's aid investments and sustained emphasis on good governance, transparency and equity in PNG to manage risks facing the aid program.

## Annex A

### Progress in addressing 2012-13 management responses

Management consequences identified in 2012-13 APPR	Rating	Progress made in 2013-14
Complete a country situation analysis and associated analytical work to consider the PNG country context and inform discussions between the Australian and PNG governments and other donors. The situation analysis is an Australian Government tool used to inform high-level development assistance priorities. Based on wide consultation and assessment of development, it will inform the program's future direction.	Achieved	An aid assessment was undertaken in 2013-14 to determine whether key priorities of PNG and Australian Governments were aligned. An Aid Investment Plan is being developed.
Continue to work on jointly identifying and supporting agreed priorities through the budget engagement process in 2013. Australia will provide technical assistance to PNG for proposed budget reforms (including introducing multi-year budgeting and integrating development and recurrent budgets).	Achieved	Support provided
Progress a reform agenda with the Government of PNG to support improved service delivery outcomes for Papua New Guineans, including through: <ul style="list-style-type: none"> <li>- Procurement systems reform</li> <li>- Greater, more targeted and effective investment in PNG's service delivery workforce</li> <li>- Strengthened sub-national capacity to spend increased budgets effectively</li> <li>- Minimised risks and maximised opportunities in the Government on PNG's infrastructure and education agendas</li> <li>- Greater progress on anti-corruption</li> </ul>	Partly achieved	Procurement systems reform, including the establishment of an independent health procurement authority, has not progressed, and concerns remain on commitment to anti-corruption in light of the 2013 compromised medical supply kit tender process.  Although the Government of PNG has funded most increases for the Christian Health Services workforce, this is still short of what is needed and funding for health worker training institutions is inadequate.
Embed deeper poverty analysis to inform better programming decisions. Continue to strengthen the department's analytical capability to better: <ul style="list-style-type: none"> <li>- Engage in economic policy discussion with the PNG Government</li> <li>- Improve understanding of the political economy to identify where there is political will to support reforms and where Australia can opportunistically engage</li> <li>- Identify opportunities to support civil society to work more effectively with the PNG Government</li> </ul>	Partly achieved	No poverty analysis undertaken within the reporting year. Sectors are undertaking more analytical work including impact studies.
Introduce regular coordination mechanisms between Australia's governance and sector programs, to ensure investments complement one another and ultimately reduce poverty.	Achieved	Progressing well.
Strengthen coordination mechanisms between Australia and other donors to ensure policy messages and investments complement one another.	Achieved	DFAT co-chairs monthly donor round table meetings.
Continue to hold high-level discussions with the PNG Government on the Infrastructure Development Authority, Sovereign Wealth Fund and Independent Health Procurement Authority, and provide technical assistance to ensure the effective planning and implementation of these mechanisms.	Partly achieved	PNG publically committed to the establishment of an independent health procurement authority in January 2014, but this did not progress any further in 2013-14.

<p><u>Health</u> - Developing whole-of-government strategies for financing and reforming medical supply; deploying technical assistance to priority provinces; and addressing performance of multilateral partners through high level forums. Continuing to advocate for the PNG Government to prioritise and adequately fund its National TB Strategy.</p>	Partly achieved	<p>GoPNG while conceding the need for reform has not yet shown committed to reform medical procurement.</p> <p>The Government of PNG has recommitted to establishing an Independent Health Procurement Authority, but there is a lack of approval of the NEC submission.</p> <p>Budget engagement strategy has influenced increased funding by GoPNG for CHS. The review of the National TB Strategy and the revision of the Health and HIV Delivery Strategy have been delayed due to reviews of aid architecture and the PNG program. Multi-year HIV plans have been put in place following the NHS Mid-Term review influencing HIV programming, but the quality is variable. Succession planning for the Health and HIV program has been affected as a result of the DFAT/AusAID integration. Technical health advisers have been deployed to priority provinces. An M&amp;E firm was contracted and mobilised in the second quarter of 2014 to provide services across the Health and HIV portfolio. All partners have undertaken performance reviews to improve multilateral partner performance.</p>
<p><u>Education</u> – Through regular discussions between senior Australian and PNG government officials, Australia will, progress a basic and secondary education quality agenda focusing on critical issues such as training teachers, developing curriculum and enhancing accountability of the School Subsidies Scheme. Australia will contract M&amp;E for the Education Program to improve collection of program performance data.</p> <p>Support PNG's quality agenda for higher education and discuss ways to support post-secondary institutions to expand places to better meet demand, subject to quality assessments. This approach will make use of existing institutions, allow steady building of academic capacity and provide sufficient time to improve institutional readiness for increased enrolments.</p>	Achieved	<p>Access to the Minister and the Secretary of Education were limited. We have continued to engage with the department and our support has led to good progress in PNG's participation in PaBER and EGRA, curriculum development of a national quality standards framework, teacher training and improved accountability of the school subsidies scheme.</p> <p>A concept for improving the quality of teacher training is under development, with the design to be completed in the second half of 2014.</p> <p>The M&amp;E framework will be finalised with contracting to be undertaken in the second half of 2014.</p> <p>Dialogue on post-secondary education has been fruitful leading to significant progress on the quality agenda for all six PNG universities. This has been supported through the leadership of the Director General of the Office of Higher and the strong high level and working relationships between the Education Program, Director General, Vice Chancellors' Committee, university Vice Chancellors and the Program's Higher Education Adviser, embedded in the OHE playing a facilitative role.</p>
<p><u>Law and Justice</u> – Developing a whole-of-government sector delivery strategy to frame the designs of new programs for Australia's support to this sector through three agencies: the Department of Foreign Affairs and Trade, Australian Federal Police and Attorney General's Department. These agencies will share a focus on supporting the delivery of more effective law and justice services to Papua New Guineans, reducing the impact of violence and conflict. They will also focus on improving M&amp;E of sector impacts.</p>	Partly achieved	<p>Australia made progress on a whole of government sector strategy which will guide Australia's future support to the sector. Rebranded the Sector Investment Plan, this strategy will include performance benchmarks and reflect both Governments' commitment to increasing the impact and effectiveness of Australia's aid. It is expected to be finalised in the first quarter of 2014-15.</p>
<p><u>Transport Infrastructure</u> – Advocating for more PNG government recurrent funding for road maintenance; addressing issues with the predictability of multi-year funding flows and systemic procurement constraints; securing commitment to enhanced performance monitoring of road maintenance; improving procurement processes; road safety; and ensuring Australia has capacity to manage large infrastructure projects and associated procurement reforms.</p>	Achieved	<p>TSSP Phase 2 has flexibility to support larger, more visible highway rehabilitation projects. Australia is negotiating with GoPNG a gradual transition from routine road maintenance to reconstruction.</p> <p>TSSP is exerting influence through the Transport Sector Coordination Forum on sector agencies and Finance and Treasury to speed up introduction of the multi-year planning and budgeting process.</p> <p>A high level review of the efficiency of centralised procurement procedures has recently been finalised and is now under consideration by Ministers and the NEC.</p> <p>TSSP 2 brings together all of the aid programs transport sector expenditure, including <i>Strongim Gavman Program</i> (SGP) and the Transport Sector MOU.</p>
<p><u>Governance</u> - Implementing a new governance strategy including: focusing more on service delivery bottlenecks; developing incentives and accountability; expanding community-level governance interventions; and redesigning Australian electoral assistance. We will develop the new governance strategy in consultation with government and non-government actors using an approach that works within and beyond government.</p>	Partly achieved	<p>While a new governance strategy was drafted in the reporting period, the integration of AusAID into DFAT and the new aid policy launched on 18 June 2014 requires changes to Australia's future governance investments in PNG.</p>

<p><u>Gender - More</u> directly emphasising gender equality in sector strategies and making gender a more explicit objective in each Partnership for Development schedule. Advocating for greater PNG Government budget commitment to gender equality interventions; applying greater scrutiny to the implementation of agreed interventions; and improving our coordination and capacity for effective gender equality interventions in PNG.</p> <p>Procurement reforms.</p>	<p>Achieved</p>	<p>All Partnership schedules now have clearer targets for meeting gender equality.</p> <p>A more thorough review of the partnership over the coming year to increase aid investments in gender equality and women's empowerment.</p> <p>There is a now Counsellor responsible for gender. There is a budget to develop a monitoring and evaluation framework to allow greater understanding and oversight of gender work.</p>
<p><u>Bougainville –</u> Improving coordination between sector programs and the Bougainville Aid Framework to ensure programs are adapted to the Bougainville context. Monitoring progress against target outcomes in Bougainville; and expanding the program's focus from reconstruction and peace-building to include stronger emphasis on enhancing service delivery in Bougainville.</p>	<p>Partly Achieved</p>	<p>Coordination has improved in with sectors programs. Each program will now develop a Bougainville specific work plan. A monitoring framework for Bougainville will be finalised by early 2015.</p> <p>Service delivery will remain a key element of our assistance to Bougainville.</p>

## Annex B

### Quality at Implementation ratings

Investment name	Approved budget and duration	Year	Relevance	Effectiveness	Efficiency	M&E	Sustainability	Gender
PNG Australia Transport Sector Support Program (TSSP) (ING545)	\$399,450,000 22/05/2006 – 31/12/2014	2013-14	5	4	4	4	4	4
		2012-13	6	4	4	5	4	4
PNG Australia Transport Sector Support Program Phase II (TSSPII) (INK081)	\$400,000,000 1/01/2013 – 30/12/2019	2013-14	5	4	4	4	4	4
PNG Education Program and Interim Support to PNG TVET and Higher Education (INJ761 and INJ316)	\$494,654,734 1/06/2011 – 30/06/2016 \$10,384,192 1/08/2010 – 31/01/2014	2013-14	6	5	5	3	4	4
		2012-13	6	5	4	3	4	4
Strongim Gavman Program (INI767 / INJ364)	\$175,889,363 1/07/2009 – 31/12/2015 \$16,712,006 1/07/2010 – 31/12/2014	2013-14	5	4	3	3	3	3
		2012-13	5	4	4	3	3	4
PNG-Australia Law and Justice Partnership (INI194)	\$183,000,000 30/01/2009 – 31/12/2015	2013-14	5	4	2	3	4	5
		2012-13	4	4	4	3	4	5
Health Service Provision Facility (INJ708)	\$78,351,700 1/03/2011 – 30/06/2014	2013-14	5	5	4	4	3	5
		2012-13	6	5	3	4	4	5
PNG Health and HIV Multilateral Program (INJ858)	\$66,709,905 2/05/2011 – 30/06/16	2013-14	5	5	3	4	3	5
		2012-13	5	4	4	3	4	5
Health Capacity and Development Service Delivery (INK214)	\$235,068,977 3/10/2011 – 30/06/2015	2013-14	5	5	5	4	4	5
		2012-13	5	4	4	3	4	5
CARE Integrated Community Development Program	\$5,593,655 1/02/2010 – 30/06/2016	2013-14	5	4	4	4	5	6
Western Province package of measures (novated to health service provision) (INI046)	\$4,410,613 25/06/2008 – 31/08/2015	2013-14	n/a	n/a	n/a	n/a	n/a	n/a
		2012-13	5	4	4	3	4	5
PNG Health Scholarship Awards (INK339)	\$2,950,000 1/12/2011 – 31/12/2013	2013-14	5	4	5	4	5	4
		2012-13	5	4	4	3	4	5
Scholarships Port Moresby ADS 2011 Intake	\$13,551,449 1/07/2010 – 30/06/2017	2013-14	5	4	5	4	5	4
		2012-13	5	4	5	4	4	5
Strongim Pipol Strongim Nesen (INI382)	\$109,448,862 1/07/2009 – 30/06/2016	2013-14	5	4	4	4	5	6
		2012-13	5	4	3	3	4	5
Church Partnership Program Phase II	\$50,000,-000 1/07/2010 – 30/06/2017	2013-14	4	4	4	3	4	3
		2012-13	6	5	4	3	5	4
PNG Electoral Support Program	\$24,919,637 1/01/2011 – 31/12/2015	2013-14	E	E	E	E	E	E
		2012-13	5	4	4	3	4	5

Scholarships PNG (INI815)	\$55,538,029, 1/07/2009 – 30/06/2015	2013-14	5	4	5	4	5	4
		2012-13	5	4	3	4	4	4
Economic and Public Sector Program (INI903)	\$106,171,534, 1/07/2009 – 30/06/2016	2013-14	5	3	3	3	3	5
		2012-13	5	3	3	3	3	5
Health Program Response to HIV/AIDS)	\$55,538,029, 1/07/2009 – 30/06/2015	2013-14	n/a	n/a	n/a	n/a	n/a	n/a
		2012-13	5	4	3	4	4	4
Incentive Fund Phase III (INI793)	\$87,000,000, 1/07/2009 – 30/06/2015	2013-14	5	4	5	4	4	4
		2012-13	5	4	3	4	4	4
PNG Disaster Risk Management Program (INJ302)	\$8,986,500 1/07/ 2009 – 31/12/2015	2013-14	4	3	3	2	3	5
		2012-13	3	3	4	2	2	5
Kokoda Track Initiative (INH843)	\$26,932,723, 21/03/2008 – 30/06/2016	2013-14	5	3	3	3	4	3
		2012-13	5	4	4	3	3	4
PNG Provincial and Local-Level Governments Program (INK615)	\$76,744,761 1/06/2012 – 30/06/2016	2013-14	5	4	3	3	3	4
		2012-13	5	4	3	3	3	4

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very high quality

■ = 5 = Good quality

■ = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

■ = 3 = Less than adequate quality; needs significant work

■ = 2 = Poor quality; needs major work to improve

■ = 1 = Very poor quality; needs major overhaul

E = Exempt

n/a = not applicable

## Annex C

### Evaluation and Review Pipeline Planning

List of evaluations completed in the reporting period

<b>Name of Investment</b>	<b>Aidworks number</b>	<b>Name of evaluation</b>	<b>Date finalised</b>	<b>Date Evaluation report Uploaded into Aidworks</b>	<b>Date Management response uploaded into Aidworks</b>	<b>Published on website</b>
Church Partnership Program Phase 2	INJ313	Cluster review	Jan 2013	Not uploaded		Yes
PNG-Australia Law and Justice Partnership	IN194	Law and Justice Infrastructure Investment Evaluation	October 2013	22 April 2014	22 April 2014	Yes
Strongim Pipol Strongim Nesen	INI382	Cluster review	Jan 2013	Not uploaded		Yes
Scholarships PNG	INJ815	Independent Progress Report		Not uploaded		No
Electoral Support Program	INJ466	Independent Progress Report	March 2013	Not uploaded		Yes
Incentive Fund Phase III	INI793	Activity Completion Report	June 2013	July 2013		Not uploaded
PNG-Australia EPSG Twinning Initiative Phase II	INJ364	Independent Completion Report	2013	Not uploaded		Not uploaded
PNG Disaster Risk Management (10-14)	INJ302	Independent Progress Report	June 2013	July 2013		Not uploaded
PNG Health and HIV Procurement Programs	INJ708 and INK212	PNG Medical Supplies Impact Evaluation	December 2013	January 2014		Yes

List of evaluations planned in the next 12 months

<b>Name of Investment</b>	<b>Aidworks number</b>	<b>Type of evaluation</b>	<b>Purpose of evaluation</b>	<b>Expected completion date</b>
PNG-Australia Law and Justice Partnership – Transition Program	INI194	Evaluation of Training Effectiveness	Assess effectiveness of training approaches to capacity development	October 2014 (draft provided 27 June 2014)
PNG-Australia Law and Justice Partnership – Transition Program	INI194	Independent Completion Evaluation	Look at specific issues from experience of PALJP delivery.	End June 2015
PNG-Australia Law and Justice Partnership – Transition Program	INI194	Impact evaluation	To assess impacts of Australian support to village courts.	September 2015

PNG-Australia Policing Partnership	n/a	Independent mid-term review	To assess relevance, effectiveness and efficiency of the deployment	Second half 2015
Church Partnerships Program	INJ313	Impact Evaluation	Assess the change that CPP has contributed to over the life of the program	June 2015
Strongim Pipol Strongim Nesen	ING382	Impact Evaluation	Assess how the program performed against its goals, draw on lessons learned to improve community driven development	June 2015
PNG Health and HIV Program	whole of Health and HIV portfolio	Independent Evaluation	To improve performance of existing programs	January 2015

## Annex D

### Performance Benchmarks 2014 -15

The 2014-15 benchmarks reflect existing targets. It has been agreed with the Government of PNG that new benchmarks will be negotiated under a new partnership agreement.

Aid objective	2014-15 benchmark	Rationale for selecting this performance benchmark
<b>Objective 1 – Improved health and HIV outcomes</b>		
<i>Reduce the Burden of Communicable Diseases (Tuberculosis &amp; HIV)</i>	<ul style="list-style-type: none"> <li>Australia to significantly increase its national investments in TB in line with PNG Government implementation of a National TB Taskforce and increased resourcing and leadership.</li> <li>Australian funded NGOs have 6,000 people on ART and 130,000 tested for HIV, with PNG Government to take on funding responsibility for Anglicare and Catholic HIV/AIDS Services .</li> </ul>	<p>Recognises the rising TB epidemic in PNG and risks of drug resistant TB for both countries.</p> <p>Reflects the importance of Australia's role in the HIV response but also the requirement for the Government of PNG to increase its long term funding and commitment in this area.</p>
<i>Strengthen Health Systems (Health Workforce &amp; Infrastructure)</i>	<ul style="list-style-type: none"> <li>450 health workforce scholarships for nurses, midwives and CHWs, supported by PNG Government increasing funding for health worker training institutions and Christian Health Services.</li> <li>Increased number of health facilities in priority provinces and disadvantaged districts, and health worker training institutions, refurbished on a kina-for-kina basis.</li> <li>Master planning phase of ANGAU Hospital completed and approved by DFAT and PNG Government stakeholders by mid-2015.</li> </ul>	<p>Reflects concerns with existing quality of health worker training institutions and the need to expand health worker training places to address an insufficient and ageing health workforce.</p> <p>Acknowledges the need to continue to progress with priority health infrastructure planning and upgrades, and the PNG Australia commitment to refurbish ANGAU Hospital under the Joint Understanding commitments.</p>
<i>Strengthen Partnerships and Coordination with</i>	<ul style="list-style-type: none"> <li>Effective governance in three PHAs, with PNG Government</li> </ul>	PHA reform is one of the most critical health reforms in PNG and requires effective multi-

Aid objective	2014-15 benchmark	Rationale for selecting this performance benchmark
<i>Partners</i>	resolving central agency bottlenecks in the areas of legal, human resources and financial management.	sectoral commitment to be effective or risks undermining existing health system.
<b>Objective 2 – Improved access to quality education at all levels – by 2015</b>		
<i>Improved Access and Quality - Basic Education</i>	<ul style="list-style-type: none"> <li>• Increased access: 80 per cent net enrolment rate in basic education by 2015.</li> <li>• Improved quality: Participation in an internationally recognised quality assessment process by 2016 and the development of a joint action plan, with all development partners invited to participate in the implementation of its recommendations to improve literacy, numeracy, and management in education, and the development of a standardised examinations program for assessing learning in PNG.</li> <li>• Increased access for girls: Five percentage points improvement in basic education gender parity index (from 0.81 in 2010 to 0.86 in 2015).</li> <li>• Five percentage points improvement in secondary education parity index (from 0.74 in 2010, to 0.79 in 2015)</li> </ul>	Contributes to PNG's policy of tuition free education for all students to year 12 and reflects shared PNG-Australia priority to increasing access to education for girls.

Aid objective	2014-15 benchmark	Rationale for selecting this performance benchmark
<i>Improved Access and Quality - Technical and Higher Education</i>	<ul style="list-style-type: none"> <li>Increased access: 52,000 graduates from higher education institutions between 2011 and 2015.</li> <li>Improved quality: a more effective quality assessment framework used for institutional quality assessments of all tertiary education institutions by 2015 and a commitment to improving quality in universities and technical institutions through PNG Government budget allocations, allowing activation of an adjusted kina-for-kina mechanism.</li> <li>Increased access for women: gender parity index of 0.73 by 2015, from 0.69 in 2011.</li> </ul>	Reflects priority in education and human capital in PNG development plans, and is aligned with Australian priorities to education quality in PNG and women's access.
<b>Objective 3 – Improved law and justice</b>		
<i>State services delivered in a manner more accessible, effective, ethical, accountable and service-focused</i>	<ul style="list-style-type: none"> <li>Infrastructure investments in Lae, Manus and Bougainville (police related); Port Moresby (Magisterial Services) are on track.</li> <li>Sector Service Delivery Strategy completed.</li> <li>Training targeting key technical, legal, administrative and management skills undertaken.</li> </ul>	Relevant to a number of PNG's law and justice sector strategic framework strategies to deliver more accessible and effective state services to help meet community expectations, use resources more effectively and improve sector cooperation.
<i>Police are more effective, legitimate and accountable to the people they serve</i>	<ul style="list-style-type: none"> <li>Improvements in public perceptions of police in Port Moresby and Lae.</li> <li>Increase in the numbers of police recruits graduating in 2014.</li> <li>30 Bougainvillean recruits included 2015 – noting BPS target of 30% female.</li> </ul>	Relevant to PNG's Sector Strategic Framework Goal 1 of improved policing, security, safety and crime prevention.

<b>Aid objective</b>	<b>2014-15 benchmark</b>	<b>Rationale for selecting this performance benchmark</b>
<i>Local Level conflict resolution working, more legitimate and available</i>	<ul style="list-style-type: none"> <li>30% of village court officials in priority provinces have participated in the competency-based training by July 2015.</li> </ul>	Relevant to PNG's Sector Strategic Framework strategies to increase support to strengthen locally-based, non-violent dispute resolution.
<i>Women and others vulnerable to family and sexual violence have greater access to justice, legal protection and support services</i>	<ul style="list-style-type: none"> <li>Increasing numbers of clients seeking help from Family and Sexual Violence Units.</li> <li>District Court and Village Court magistrates increasingly providing protection orders.</li> <li>Increasing number of FSV related cases reaching the Office of Public Prosecutor.</li> </ul>	Promotes Australian and PNG priorities for gender equality and social inclusion, and to support those affected by family and sexual violence.
<i>Improved resistance, detection, investigation and prosecution of corruption</i>	<ul style="list-style-type: none"> <li>Measurable progress on FATF Action Plan (assessed by APG Regional Review Group).</li> <li>Increase in the number and value of restraint of proceeds of crime cases referred to the Office of Public Prosecutor.</li> <li>ICAC on track to be established.</li> </ul>	Required to meet PNG's international commitments following 'grey-listing' by the Financial Action Task Force and to Australia's strong anti-corruption focus in the aid program.
<b>Objective 4 – Improved transport outcomes</b>		
<i>Improved Road Infrastructure</i>	<ul style="list-style-type: none"> <li>75 per cent of the 16 national priority roads in good condition (as rated in PNG's Road Asset Maintenance System).</li> </ul>	Reflects a key priority in PNG's Medium Term Development Plan 2011-15 and Australia's priority to infrastructure as a means of facilitating economic growth.
<i>Improved Aviation and Maritime Infrastructure</i>	<ul style="list-style-type: none"> <li>Aviation and maritime transport services have consistently moved towards full compliance with international safety and security standards.</li> </ul>	Reflects a key priority in PNG's Medium Term Development Plan 2011-15 and Australia's priority to infrastructure as a means of facilitating economic growth.