

# PAPUA NEW GUINEA SUB-NATIONAL STRATEGY

## Mid Term Review

## Final Report

*Prepared for*

**GoPNG and AusAID**

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The views and opinions expressed in this independent review report are those of the authors and do not necessarily reflect those of either the GoPNG or AusAID. The authors are solely responsible for any errors or omissions.

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## Executive Summary

**Background** - The Sub-National Strategy (SNS) is a program of the Australian Government that supports the Government of Papua New Guinea (GoPNG) to improve service delivery by strengthening institutions of local governance. Envisaged to last some 15 years, this first phase runs until 2011, and builds on a three year pilot phase, the Sub-national Initiative (SNI) which ran from 2004-2006.

By design, SNS is a flexible program that aligns itself behind GoPNG leadership and direction. The program does not have a log-frame with clearly defined objectives and outputs, and has been allowed to evolve iteratively, building on opportunities for engagement and adapting to emerging policy priorities and concerns.

SNS is implemented through a “Support for Partner Programs” modality. Under this modality AusAID works in direct partnership with GoPNG institutions to guide program implementation. Administrative and logistical support is provided by an Implementing Services Provider (ISP). Program oversight is provided through a multi-stakeholder steering committee chaired by the Secretary, DPLGA. The 2008 budget for SNS was of the order of AUD14 million, the 2009 budget is expected to be AUD20 million and the 2010 budget is forecast to be AUD25 million.

**MTR Approach and Methodology** - The MTR was implemented by an 8-person team comprising 3 independent consultants, 2 AusAID staff and 3 GoPNG staff. 50% of the team were from PNG and 3 were women. The work was implemented in three phases. First, a document review took place prior to fieldwork in PNG. Second, three weeks of field work were conducted at national and provincial level, using semi-structured interviews, direct observation and further document review. Five provinces were visited; East New Britain, Milne Bay, Morobe and Sandaun provinces as well as the Autonomous Region of Bougainville. Thirdly, report preparation took place in April, 2009.

### **Achievements and outcomes to date – PPII**

**Ownership and leadership** - There is a strong sense of ownership of PPII among those agencies directly involved in its implementation. The fact that the program has expanded so rapidly in a short period of time bears testimony to its perceived relevance. It is, however, difficult to determine the level of ownership for PPII across government as a whole. The current debates on different ways to improve service delivery as well as broader discussions on the architecture of decentralisation suggests that there has not been a common position on how PPII fits into a wider service delivery reform agenda.

**Impact on administrative capacity** – There is evidence of capacity being strengthened across a number of functional areas and of a correlation between progression between phases of PPII and improved capacity. Factors contributing to improved organizational capacity include strong leadership at senior levels, having a core group of capable administrators in key parts of the organization, as well as effective utilization of PPII capacity development support. The MTR found incremental rather than transformational change taking place. Participants in the MTR emphasized the lack of implementation capacity as a constraint to service delivery, and an area that should be addressed by PPII. The sustainability of capacity improvements is a point of concern.

**Impact on service delivery** – Strengthening administrative processes is critical to better service delivery but is not sufficient alone. PPII support is essential but will be limited and needs to be accompanied by improvements in funding, infrastructure, engagement of civil society as well as addressing sector-specific bottlenecks. The evidence of PPII impact on service delivery improvements is weak at this stage. It will be important to address possible misperceptions that PPII should, on its own, result in service delivery improvements.

**PPII as catalyst for change** – PPII has the potential to drive across-the-board service delivery improvement by harnessing the many fragmented initiatives currently being implemented at provincial and sub-provincial levels, and by building synergy with the service delivery model (SDM) program. PPII's focus should continue to be on strengthening core administrative processes that facilitates service delivery and adds value to the various other initiatives taking place. It is appropriate to focus PPII efforts at the Provincial Administration level, and through that support enabling district and LLG administrations as well as civil society to deliver services.

**PPII Phased approach and exit strategy** – The PPII phased approach has worked as a catalyst for public administration improvement. Progression from the preparatory phase through to Phase I and II has generally followed the model, and confirms its relevance. The challenge will be to create incentives for graduation to Phase III. Currently those incentives may not be strong enough. A possible incentive could be to reach a point where a portion of GoPNG and donor development funds are guided through the provincial governments' financial management system to support service delivery implementation at the district level. This could constitute the vision for Phase III.

**Managing the process** – As PPII looks to further expansion in terms of addition of new provinces, graduation to higher phases in the PPII process, and greater attention to implementation issues at the district level, attention will need to be given to assuring that DPLGA as lead agency has the capacity to maintain the quality and range of PPII support.

### **Achievements and outcomes to date – National Agencies**

SNS recognises that successful decentralisation requires an effective policy framework and capable institutions at the national level. Building on the experiences of SNI, SNS has provided support to DPLGA, PLLSMA, NEFC and NRI. SNS has assisted DPLGA to develop and update implementation of its Corporate Plan; has facilitated the revival of PLLSMA as a key co-ordination and monitoring body responsible for holding provinces accountable, and has reinvigorated DPLGA with a strong sense of purpose. SNS has also supported DPLGA to roll out PPII. In so doing, it has recast DPLGA's role as an "enabler" and "facilitator" and, reaffirmed its role as a lead agency in relation to provincial matters. The rollout of PPII has pointed to a need to strengthen collaboration between National Agencies as well as improve co-ordination and alignment with national sector policies and programs. One way DPLGA has addressed this is by setting up PLLSMA Sub Committees.

SNS has played a critical role in enabling NEFC to deliver high quality products that have helped transform inter-governmental financial arrangements as well as knowledge and understanding of the costs and constraints of service delivery. NEFC's work on intergovernmental financing, provincial expenditure and cost of services was used to frame the 2009 Budget Estimates for Provinces - including a 40% increase in grant funding for services as a direct result of NEFC cost of services studies. The NEFC experience provides a lesson on how to successfully manage the interface between the bureaucracy and political levels. NEFC needs to think seriously about its sustainability and a transition for capacity development. Research is another important element that SNS has supported through the NRI's Sub-national Governance Program.

### **Achievements and outcomes to date – AusAID coherence**

The current disconnect between AusAID's sectoral focus and its support for decentralisation through SNS creates inefficiencies and inconsistencies in program delivery undermining overall efforts to improve service delivery. The MTR was surprised to find how poorly understood SNS is among other AusAID programs. Programs were not clear about the objectives of SNS and how they might engage with it. In part, this has resulted from a lack of deliberate effort on the part of SNS, as well as the AusAID PNG program more generally, to engage in internal dialogue and exchange. In the last year, a more deliberate effort has been made by SNS to engage with other programs.

## **Implementation mechanism and systems**

**Incentives** – SNS provides graduated annual incentive payments to provinces participating in PPII to create an incentive for change. Despite being relatively small, PPII incentive funds are highly appreciated by Provinces. They particularly welcome the fact that they are able to determine how the money is spent. The potential value of incentive payments depends largely on them being allocated in a consistent and transparent manner. Overall, this seems to have been the case. Yet there is some evidence that suggests sometimes a more flexible application of the rules. This can potentially cause misunderstanding and undermine the value of the incentive. Since 2005, K12.6 million incentive funds have been allocated in accordance with PPII guidelines. Phase I provinces have used the funds to finance portions of their Corporate Plan implementation, while Phase II provinces have also used the funds to finance service delivery activities.

**Use of GoPNG systems** – The SNS design document is clear in its intent and focus to support and further develop sub-national systems of government. SNS does align behind government policy and decision making and has been sufficiently flexible to support any new developments including the new directives on the Service Delivery Model Mechanism through the expanded PPII. There are isolated examples of PPII being delivered through public financial management systems, for example in Eastern Highlands Province and East New Britain Province.

**Co-location** – SNS has twelve co-located positions, two in DPLGA, eight with provincial administrations and two with the Autonomous Bougainville Government. Co-location is not available to all provinces and is not offered as part of the package of support for capacity development. Co-located officers contribute to the improvement of administration services by supporting Provincial efforts to implement the PPII and provide an AusAID presence at provincial level. DPLGA values co-located officers because they support PPII implementation and provide ‘our eyes and ears on the ground’. Uncertainty about the role of co-located officers and perceptions of some PMTs that these officers are advisors has caused confusion, and led to some concern that they lack the competencies required to be public administration advisors. These perceptions can be addressed by clear communication of the roles and responsibilities of the co-located officers.

**Technical assistance** – TA personnel are deployed to help strengthen individual, organisational and system capacity as part of broader intervention strategies for capacity development. GoPNG stakeholders have appreciated TA’s contribution to the development of both individual competencies as well as functional/organizational capabilities. It is regarded as being of high quality, and relevant to addressing identified needs particularly the flexible way TA can be deployed, and the fact that GoPNG stakeholders are actively involved in the recruitment process and in management decisions. The high level of TA deployment, however, raises questions about affordability, ownership of the change process as well as possible dependency. The PPII Steering Committee needs to work with the ISP to develop and implement a more innovative and cohesive approach to capacity development that relies less on TA and more on existing support available through GoPNG systems and other AusAID programs.

**ISP** – The design states that SNS will be managed by AusAID, and this is reinforced in the ISP contracted scope of services. Given the nature of SNS and the importance of bilateral policy dialogue to influence sustainable achievement of the goal, it is important that AusAID retain its management role in partnership with GoPNG and assert its position, roles and responsibilities in this respect. The ISP contractor has demonstrated flexibility as PPII implementation has proceeded more quickly than anticipated with AusAID support. The ISP for SNS has provided sound administrative support to people management with 39 advisers contracted at March 2009 having reasonable gender balance and local engagement.

**M&E** – There is not a formal monitoring and evaluation system for SNS – quarterly reports use meta-analysis of existing GoPNG data and focus on the first two SNS work areas. Five quarterly reports have been produced under the M&E framework. None of these contain quantitative analysis – charts, tables or time-series of monitoring data to illustrate trends or variance from plans or used to support management decisions at all levels. One reason is that quantitative service delivery data is difficult to obtain in PNG and GoPNG systems for data collection, such as PLLSMA and PCMC, are evolving and have not yet matured into a reliable source of verifiable

and quantitative data. Verifiable and quantitative data from NEFC, disaggregated by sector and province, could support monitoring of leading (eg expenditure on service delivery) and lagging indicators (eg changes in health or education outcomes) of progress towards the SNS goal. To encourage use of monitoring data, SNS monitoring should be rationalised to semi-annual reports that are designed to facilitate dialogue between GoPNG and AusAID as well as inform program management by the two partners.

### **Comparison with international good practice**

Many countries have implemented decentralisation with a view to reducing poverty and improving service delivery. Lessons learned from this experience relevant to PNG suggest the current objectives and scope of SNS are appropriate, although ambitious. The goal is appropriate for a long-term strategy, but needs to recognise that service delivery is influenced by many factors, not only public administration.

### **Conclusions**

The review team is encouraged by the overall progress made by GoPNG, with the assistance of SNS, in advancing the decentralisation process in the country. Important achievements have been made in a relatively short period of time, and considerable momentum has developed that bodes well for the future. SNS complements sector programs and support to civil society and democratic governance initiatives. AusAID should continue to invest in strengthening sub-national public administration as a means towards improving service delivery and accountability.

In terms of how the program should position itself with regard to a changing policy context, and to respond effectively to both PNG and Australian Government direction, the MTR believes that AusAID in general and SNS in particular can continue to play an important accompanying role supporting GoPNG stakeholders in advancing the decentralisation process. To do so, four things seem critical: i) maintain the flexibility of the program, ii) broaden ownership of the program, iii) facilitate policy dialogue around decentralisation, iv) adopt a consistent AusAID approach to engagement at the sub-national level.

### **Recommendations**

Detailed recommendations are presented at the end of each section of the report. SNS has the opportunity to adapt as the program continues to evolve, adjust to a changing policy context and learning from experience. At the same time, SNS is a long term strategy, and far-reaching change should not be encouraged for its own sake. Many of the processes the program employs are now bedding in and the many stakeholders with whom it engages are becoming familiar with its approach. It would be inappropriate to recommend far-reaching changes that may unsettle stakeholders, unless really warranted. The MTR, therefore, recommends a continuation of SNS' overall trajectory and adjustments in selected areas only, as set out in the recommendations contained in the body of this report. The key recommendations are reproduced here for ease of reference:

#### **Supporting the Rollout of PPII.**

- Develop a vision, criteria and incentives for provinces to advance to Phase III. This vision should aim at harmonizing and aligning development budgets (including PPII) through provincial planning, budgeting and reporting systems and focus on strengthening implementation capacity at district and facility levels.
- Take steps to ensure that adequate capacity is in place within DPLGA to ensure delivery of quality support associated with an ever-expanding program. Support for PCMCs and establishment of regional offices of DPLGA to back stop activities at provincial levels should be an immediate consideration.
- Encourage PPII to serve as a platform for promoting performance improvement by coordinating and harmonizing various GoPNG initiatives to strengthen service delivery. It is important for PPII to proactively engage with other initiatives to create synergies and avoid fragmentation of effort.

#### **Strengthening National Agencies and Policy Framework.**



- Reinforce current efforts at promoting inter-agency collaboration, particularly through PLLSMA, but equally through other coordination instruments such as CACC.
- Make efforts at consolidating and reinforcing capacity gains that have been made within key national agencies and consider more closely ways to sustain those gains.
- Proactively promote debate and dialogue among GoPNG and its development partners on the architecture of decentralisation and on building stronger linkages between separate governance, administrative and sector reform initiatives.

#### **Promoting Coherence across the AusAID Country Program.**

- Distinguish SNS the program from SNS the strategy as a step towards developing a clear country program-wide policy/position on the relationship between sector support and decentralisation and the implications for service delivery improvements.
- Find ways to align AusAID support to different parts of GoPNG national and sub-national administration and better align sector/thematic support to the architecture of sub-national government.
- Actively promote, behind GoPNG leadership, harmonisation and alignment of donor support for decentralisation.

#### **Incentives**

- Ensure that incentives are provided in strict accordance with agreed upon performance criteria, and that decisions are communicated in a transparent manner. The value of the incentive payments is immediately lost if strict adherence to the criteria is not upheld.
- An assessment should be made of the incentives needed for Provinces to successfully complete Phase II and advance to Phase III. As suggested elsewhere, besides provision of a financial incentive, it may be appropriate to think about alternative funding mechanisms that prepare the way for moving towards a single financing instrument eg: earmarked budget support.

#### **Use of Government Systems**

- To strengthen GoPNG ownership and initiate a transition to sustainability, the PPPII Steering Committee should be renamed the SNS Sub-Committee and become a sub-committee of PLLSMA. This would better position SNS at a strategic coordination level for decentralised service delivery and allow the SNS program to be ultimately implemented as PLLSMA.
- Encourage greater cross-government commitment and ownership of PPPII, and stronger links with CACC in the way of reports on the SNS by the PPPII Steering Committee and by PLLSMA.

#### **Co-location.**

- Provide greater clarity on the roles, responsibilities and relationships of co-located officers and distinguish these from other stakeholders involved in SNS delivery.
- Strengthen the role of co-located officers as a focal point for promoting coherence across the AusAID program rather than being mainly a co-manager of SNS supported activities.

#### **TA**

- Reflect critically on alternatives to TA deployment in support of provincial and national agency capacity development, and consider different modes of CD support for progressive stages of PPPII.
- Clarify roles and responsibilities of TA personnel, and invest more thoroughly in the preparation of TA to ensure their focus is on capacity development. This should include arrangement of joint induction courses, and orientation/training in process facilitation/ change management.

#### **ISP and AusAID Management.**

- Reinforce the understanding of GoPNG/AusAID management of SNS and in this context clarify the respective roles and responsibilities of GoPNG, AusAID and the ISP.

- Structure AusAID career paths to include PNG national specialists with a long-term career focus on a country as a way to better support long-term policy dialogue and effective contract management, and as part of a wider staff retention and sustainability strategy.

**Monitoring and Evaluation.**

- Set in motion a medium term transition plan to align the SNS MEF behind GoPNG instruments and processes for sub-national performance monitoring and reporting under DPLGA/PLLSMA stewardship.
- Encourage an increasing focus on monitoring trends in service delivery outputs and outcomes and to link this to monitoring of CD support.

## Acronyms

ABG	Autonomous Bougainville Government
ADB	Asian Development Bank
ARB	Autonomous Region of Bougainville
AUD	Australian Dollar
AusAID	Australian Agency for International Development
BEDP	Basic Education Development Program
CACC	Central Agencies Coordination Committee
CBISP	Capacity Building Institutional Support Program
CBSC	Capacity Building Service Centre
CD	Capacity Development
DCD	Department of Community Development
DAC	Development Assistance Committee of the OECD
DAC	District Aids Council
DFAT	Department Foreign Affairs (Australia)
DFID	Department for International Development (UK)
DNPM	Department of National Planning and Monitoring
DoE	Department of Education
DoH	Department of Health
DoT	Department of Treasury
DGTP	Democratic Governance Transition Program
DPLGA	Department of Provincial and Local Government Affairs
DPM	Department of Personnel Management
DSIP	District Services Improvement Program
EC	European Commission
EHP	Eastern Highlands Province
ENB	East New Britain
ECBP	Education Capacity Building Program
EU	European Union
FMIP	Financial Management Improvement Program
GIF	Governance and Implementation Fund
GoPNG	Government of Papua New Guinea
HSIP	Health Sector Improvement Program
HR	Human Resources
IRG	Independent Review Group
ISP	Implementing Service Provider
IT	Information Technology
JDPBC	Joint District Planning and Budgeting Committee
JPPBC	Joint Provincial Planning and Budgeting Committee
KRA	Key Result Area
LLG	Lower Level Government
M&E	Monitoring and Evaluation
MEF	Monitoring and Evaluation Framework
MTDS	Medium Term Development Strategy
MTR	Mid Term Review
NACS	National Aids Council Secretariat
NCOBA	National Coordination Office for Bougainville Affairs
NEC	National Executive Council
NEFC	National Economic Fiscal Commission
NRI	National Research Institute

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NSP	National Strategic Plan
NZAID	New Zealand Agency for International Development
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
OLPGLLG	Organic Law on Provincial Governments and Local Level Governments
ORD	Office for Rural Development
PA	Provincial Administrator
PAC	Provincial Aids Council
PCMC	Provincial Coordination and Monitoring Committee
PEC	Provincial Executive Council
PFM	Public Financial Management
PGAS	Papua New Guinea Accounting System
PLLSMA	Provincial and Lower Local Services Management Authority
PMD	Performance Monitoring Division (DPLGA)
PMT	Provincial Management Team
PNG	Papua New Guinea
PPII	Provincial Performance Improvement Program
PSRMU	Public Service Reform Management Unit
PSWDP	Public Sector Workforce Development Program
RIGFA	Review of Intergovernmental Financial Arrangements
SDMM	Service Delivery Model Mechanism
SEM	Senior Executive Management
SIP	Service Improvement Program
SNI	Sub-National Initiative
SNS	Sub-National Strategy
SWAP	Sector Wide Approach
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Program
USD	United States Dollar
VAMESP	Vietnam Australia Monitoring and Evaluation Strengthening Project
WB	World Bank

# 1 Introduction

## 1.1 Background

The Sub-National Strategy (SNS) is a program of the Australian Government that seeks to support the Government of Papua New Guinea (GoPNG) to improve service delivery by strengthening institutions of local governance. SNS does this by:

- i) supporting key national agencies and committees responsible for the implementation of the Organic Law on Provincial Governments and Local-level Governments (OLPGLLG) – Department of Provincial and Local Government Affairs (DPLGA) and its guidance to provincial administrations, Provincial and Local Level Services Monitoring Authority (PLLSMA) and its oversight of provincial performance, and National Economic and Fiscal Commission (NEFC) and the intergovernmental financing system;
- ii) strengthening the governance and administrative capacity of provincial and district administrations as key agencies in the delivery of services; and
- iii) promoting coherence across AusAID programs and encouraging alignment around structures and systems of sub-national governance.

SNS recognizes that sustained improvements in service delivery require a holistic institutional focus. All key variables that go to making service delivery effective need to be addressed: adequacy of funding, clear assignment of roles and responsibilities, strengthening of oversight and accountability, strengthening of the service delivery organizations themselves, and reform of the legislative framework to make it more supportive of effective service delivery.

Envisaged as a long term programme of engagement, likely to last some 15 years, this first phase runs until 2011, and builds on a three year pilot phase, the Sub-National Initiative (SNI) which ran from 2004-2006.

### ***Why this Program?***

PNG faces one of the most complex decentralisation challenges in the world due to its extreme cultural and geographic diversity. PNG has already undergone two major iterations of decentralisation, the first in 1975 at Independence and a second major reform in 1995.

The 1995 Organic Law on Provincial Governments and Local-level Governments (OLPGLLG) pushes responsibility for delivery of most basic services down to the sub-national level. As a result, national government agencies retain only minimal service delivery presence below provincial level outside the law and justice sector. However, little concerted effort has been made since 1995 to ensure that sub-national governments have the resources and capacity to take on their newly assigned functions, while key national agencies responsible for decentralisation have not been empowered to lead the process. Moreover, considerable confusion has remained over the precise allocation of responsibilities between national and sub-national tiers of government. This lack of clarity and direction regarding the implementation of the OLPGLLG has contributed to a progressive deterioration in service delivery despite significant levels of financial and technical support received from the international community, including AusAID.

Through a process of dialogue and exchange between GoPNG and the Australian Government, SNI emerged as a pilot programme aimed at addressing some of the critical

shortfalls in the implementation of the Organic Law. Based on the experiences of this pilot phase, the two governments committed themselves to a longer term cooperation - the Sub-National Strategy (SNS).

By design, SNS is a flexible program that aligns itself behind GoPNG leadership and direction. The program does not have a log-frame with clearly defined objectives and outputs, and has been allowed to evolve iteratively, building on opportunities for engagement and adapting to emerging policy priorities and concerns.

Continuing the work carried out under SNI, SNS has in a comparatively short period of time recorded a number of significant achievements. These include the introduction of a new system of inter-governmental financial transfers, the rehabilitation of the Provincial and Local Level Service Monitoring Authority (PLLSMA, previously titled the “National Monitoring Authority”) and the expansion of the Provincial Performance Improvement Program (PPII) to 17 provinces, with 8 of those now receiving systematic assistance from the program.

At the same time, the program is being implemented in a complex and shifting policy context. While GoPNG commitment to decentralisation is clear – in this sense the 1995 Organic Law provides the legal and policy framework for guiding the decentralisation process and remains the basis for SNS engagement - there remain differences of opinion within government on what form decentralisation should take. A key debate remains the relationship between the provincial and district levels. One line of thinking recognises the continued relevance of provincial administration and government whilst another argues for its abolition and strengthening instead of the district level as a distinct tier of government, rather than as an administrative extension of the provincial administration. This is a complex debate informed by both political and administrative considerations and has its genesis in the past history of decentralisation since independence<sup>1</sup>.

SNS is implemented through a “Support for Partner Programs” modality. Under this modality AusAID works in direct partnership with GoPNG institutions to guide program implementation. Administrative and logistical support is provided by an Implementing Services Provider (ISP). Program oversight is provided through a multi-stakeholder steering committee chaired by the Secretary, DPLGA. The 2008 budget for SNS was of the order of AUD 14 million, the 2009 budget is expected to be AUD 20 million and the 2010 budget is forecast to be about AUD 25 million.

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<sup>1</sup> For instance, a second report of the Public Sector Reform Advisory Committee proposed the abolition of Provincial Governments and strengthening of Local Level Governments. A task force on restructuring of Provincial Government and Local Level Government was subsequently appointed in late 2007 to review these issues. For further insights on the decentralisation debate, see Dr. Alphonse Gelu, *The Quest For Good Governance. A Survey of Literature on the Reform of Intergovernmental Relations in Papua New Guinea*, Monogram No.40 2008.

## 1.2 Terms of Reference

The mid-term review (MTR) was conducted between March 2nd and 20th, 2009. It focused on the achievements and functioning of SNS, from the commencement of the preceding initiative, in 2004, to the present. The TORs are presented in Annex 5. The review explored the functioning and achievements of many areas of GoPNG public administration in order to understand the nature of SNS achievements. The review also commented on the degree to which outcomes and achievements of SNS have made a contribution to improved service delivery in PNG.

The *purpose* of the MTR was to provide all stakeholders with a clear assessment of the progress and value of the SNS program for:

- *Accountability* – to provide stakeholders with an assessment of the effectiveness and efficiency of SNS to date.
- *Program improvement* – to provide stakeholders with insight into possible further development/ adjustment of SNS.

Four major areas formed the scope of the review:

- Review of achievements and outcomes to date (effectiveness) relating to the three areas of attention: *provincial administration, central agencies and AusAID program coherence*.
- Review of mechanisms and systems to implement SNS (efficiency and relevance): *TA, co-location, use of incentives, ISP model, use of government systems, M&E*.
- Comparison with international best practice (analysis and learning).
- Recommendations on how SNS can respond effectively to both PNG and Australian Government direction.

The Terms of Reference recognize the MTR to constitute an Independent Review. In this regard, the review was led by members of the SNS Independent Review Group (IRG).

## 1.3 Approach and Methodology

The MTR was implemented by an 8-person team comprising 3 independent consultants<sup>2</sup>, 2 AusAID staff and 3 GoPNG staff. 50% of the team were from PNG and 3 were women.

The work was implemented in three phases. Firstly, a document review took place prior to fieldwork in PNG. This included review of a set of concept notes and case studies specifically commissioned for the MTR. Secondly, three weeks of field work were conducted (i) at national level using semi-structured interviews and further document review and (ii) in 5 provinces and related districts and LLGs, using semi-structured interviews and direct observation. The provinces were; East New Britain, Milne Bay, Morobe and Sandaun provinces as well as the Autonomous Region of Bougainville.

In addition to sub-national administrations, the MTR team consulted with national agencies, sectoral line agencies, the AusAID PNG Program, donors and civil society including the private sector during this field work. To cover the ground, the team split into two groups, meeting periodically to compare notes and analyse findings. See Annex 4 for itinerary and list of stakeholders met. Finally, the team prepared this report.

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<sup>2</sup> Of which two are members of the SNS Independent Review Group

## 2 Achievements and outcomes to date

*This chapter considers the effectiveness of SNS support. It presents key achievements and outcomes, considers the contribution of SNS to improved service delivery including response to poverty and disadvantage, and identifies opportunities for improvement.*

### 2.1 The Provincial Performance Improvement Initiative (PPII)

#### 2.1.1 Background

PPII is an initiative of GoPNG to strengthen the capacity of provincial and district administrations to deliver basic services to urban and rural populations. It responds to government's commitment to implement the 1995 OLPGLLG, which established a three tier system of decentralized government and administration (see Chart 1).

**Chart 1 : Three main tiers of government and administration**

Tiers	Government (Leg/Exec)	Administration
National	Parliament / National Executive Council (NEC)	Central Agencies, National Departments – Statutory Authorities
Province	Provincial Assembly/ Provincial Executive Council (PEC)	Provincial Administration, District Administration and facility staff;  (There is an Extended Service of National Government Agencies operating in provinces such as Provincial Treasuries (Dept of Finance), and Dept of Transport and Works.
Local-Level Government	Local Level Government Assembly Ward Committees	LLG Administration

Efficient and effective delivery of services depends on a multiplicity of factors falling into place. PPII focuses on ensuring that provincial and district administrations have key capabilities in place to deliver core services mandated to them. Provincial administration functions as a key conduit for channeling resources from a variety of national and local sources out to the point of service delivery. It is responsible for planning and budgeting (having ultimate cost responsibility for meeting the costs of service delivery), technical backstopping and capacity building, monitoring and supervision, and reporting/accounting.

To perform these functions, provinces require strong leadership, functioning systems and procedures, skilled and motivated personnel. They also need to form strategic alliances with other development partners. For a variety of reasons, key capabilities have declined over the years. In particular, while specific sector reforms have been implemented to strengthen line agencies, no concerted effort has been made to strengthen the capacity of provincial and district administrations since the passing of the Organic Law. The introduction of PPII has changed this and represents for now, GoPNG's principle instrument for capacity development support to provincial administration.



**Key features of PPII:**

PPII seeks to address these capacity deficits by engaging provinces in a structured but flexible process of organizational development and change.

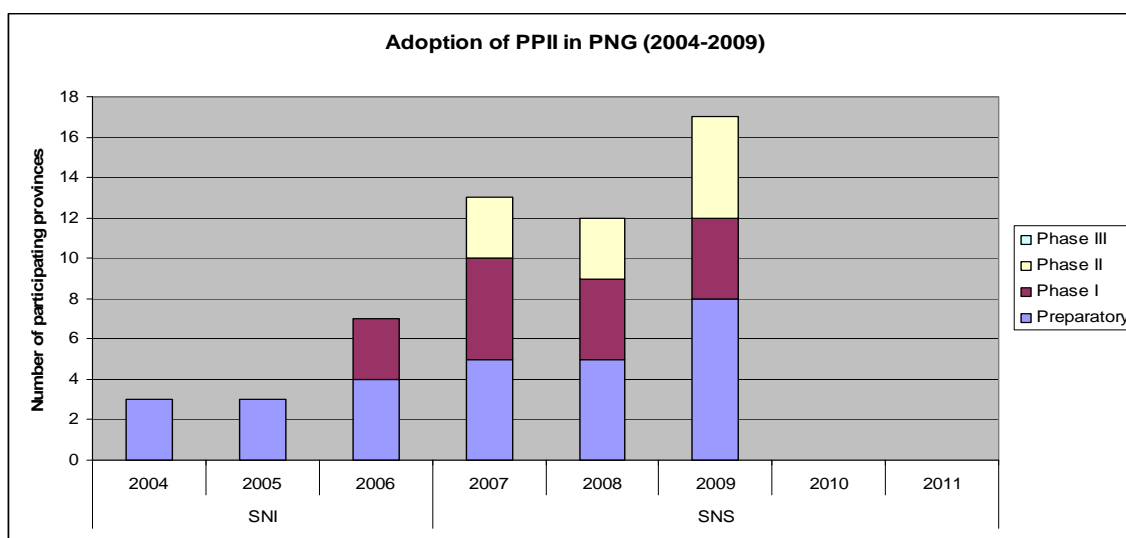
- Participation is **voluntary** and the pace and direction of change is determined by each provincial administration – a program principle that distinguishes PPII from most sub-national capacity development programs.
- Support is guided through a **staged approach** that begins with a capacity diagnostic exercise, and leads to the development of a corporate plan and accompanying capacity building plan.
- Provinces progress through **four phases**; a preparatory phase in which the corporate plan is prepared, a first phase which focuses on improvements in core administrative processes and systems, a second phase which shifts emphasis towards service delivery improvements, and a third phase which concentrates on revenue generation and economic development.
- Progression from one phase to another is planned to be **performance-based** and is overseen by a multi-agency steering committee under the chairmanship of DPLGA. Performance criteria are linked to a set of PPII criteria for each phase, specific targets negotiated with some provinces, and the **key results areas** (KRAs) set out in the Corporate Plan, and which are reported on bi-annually. These cover: (1) Planning, budgeting and financial management; (2) Information management; (3) Human resources management; (4) Governance and corporate management (5) Physical Asset Management (6) Stakeholder engagement/ mobilization.
- A **financial incentive** accompanies the process. As provinces graduate from one phase to another, they access a discretionary fund worth K 250,000 in phase I, and ranging from K 500,000 to K 1,000,000 in phase II. Funds can be used to finance capacity development activities as well as support service delivery (incentives are discussed in section 3.1.).
- DPLGA through its Capacity Building Division, and assisted by SNS, provides support to Provinces to implement PPII. The main instrument of support is the **deployment of technical assistance** personnel. In addition, DPLGA offers opportunities for training, exchange visits and peer review. The incentive fund enables the province to procure additional goods and services to support capacity development activities.

**2.1.2 Current Status**

PPII was launched in 2004 in three pilot provinces: Central, East New Britain and Eastern Highlands, and was supported through the Sub-national Initiative (SNI). Since 2007, when SNS replaced the SNI, the program has been rolled out to a further 14 provinces, as summarised in Chart 2. In addition, a similar process has started up in the Autonomous Region of Bougainville, as well as in Southern Highlands Province.

**Chart 2 : Current status of PPII implementation**

Preparatory (8)	Phase I (4)	Phase II (5)	Phase III	Special Cases
East Sepik Enga Gulf Manus Morobe New Ireland Western West Highlands	Madang Oro (on hold) Simbu (on hold) West New Britain	Central Eastern Highlands East New Britain Milne Bay Sandaun	Nil	AR Bougainville Southern Highlands

**Chart 3 : Adoption of PPII in PNG (2004 – 2009)**

### 2.1.3 Key Findings and Observations

**Ownership and leadership** - There is a strong sense of ownership of PPII among those agencies directly involved in its implementation, notably DPLGA as lead agency as well as the participating provincial administrations. The fact that the program has expanded so rapidly in a short period of times bears testimony to its perceived relevance<sup>3</sup>.

It is however difficult to determine the level of ownership for PPII across government as a whole. The current debates on different ways to improve service delivery as well as broader discussions on the architecture of decentralisation suggests that there has not been a common position on the part of government, nor clear agreement on how PPII fits into a wider reform agenda for service delivery improvement<sup>4</sup>.

**Impact on administrative capacity** – Tracking changes in organizational and system capacity is a difficult exercise. Based on the monitoring reports reviewed and visits to five provinces, there is evidence of capacity being strengthened across a number of functional areas and of a correlation between progression between phases of PPII and improved capacity. Factors contributing to improved organizational capacity include strong leadership at senior levels, having a core group of capable administrators in key parts of the organization, as well as effective utilization of PPII capacity development support.

*“PPII is having a positive input into our Provincial Administration, especially with the capacity building of our officers which is reflected in the Budget preparation.” Sandaun Governors’ Budget speech, 2008.*

<sup>3</sup> Within provincial administrations, ownership is most evident at the senior management level. However, for lower levels of the organisation and for divisions less directly involved in PPII activities, ownership is less pronounced. Knowledge and understanding of PPII appears not to have penetrated below upper echelons, which in some instances has created misunderstanding, as well as confusion over the purpose of the program.

<sup>4</sup> More recently the Government embarked on a Long Term Development Strategy and has been working on arrangements for implementing a Service Delivery Model Mechanism (SDMM) (to be piloted in 5 provinces) with DPLGA, PLLSMA and other government agencies that are responsible for key intervention programs.

While improvements in capacity are noticeable in those areas specifically targeted by PPII and that relate to the 6 KRAs contained in the provinces' Corporate Plans, it is difficult to judge the impact of these investments on overall organizational capacity, nor to make judgments about the sustainability of these improvements. Overall, it is appropriate to talk of incremental rather than transformational change taking place<sup>5</sup>. Given that PPII is only a few years old, and that capacity change is recognized as a long term process, these conclusions about capacity are only to be expected.

Beyond these key result areas, respondents emphasized the lack of implementation capacity as a constraint to service delivery, and an area that should be addressed by PPII. However, it is not always clear what is understood by "implementation" capacity. The box below reflects on possible interpretations.

**Box 1 : What is "Implementation Capacity"**

At one level, it is about the ability of provinces and districts to coordinate and supervise infrastructure projects such as for roads, schools and houses. Factors constraining implementation capacity here include a general shortfall of skilled personnel within technical services departments; draftsmen, engineers, quantity surveyors etc. And it might include weaknesses in project management skills as well as limited access to tools and equipment. But it also includes limited numbers and poorly equipped/capitalized contractors able to execute projects on time and to acceptable standards.

At another level, implementation capacity constraints can more broadly relate to difficulties in managing on-going service delivery functions such as operating and maintaining schools and health facilities. Constraints at this level might include lack of trained personnel, lack of office equipment and transport, poor systems of management, problem solving and reporting/ data collection, bureaucratic procedures related to the approval and release of funds, logistical constraints. Or it may be a structural problem related to where civil servants are located and who they report to, an issue being currently addressed by the restructuring exercise, or a combination of both.

The recent district studies initiated by DPLGA in cooperation with MoH to examine constraints to service delivery at the point of delivery reveal these and related points<sup>6</sup>.

The sustainability of capacity improvements is a point of concern, but is one that is not specific to PPII. There are factors that can undermine improvements in capacity, over which PPII as a program has little control. Included here are factors such as:

- The overall shortfall in the labour market of skilled and experienced administrators and technocrats, making it difficult to find personnel with requisite skills and experience. This is particularly acute for the technical services department, and reflects in part the inability of the education system to produce a sufficient number of suitably trained graduates. It also reflects the current buoyancy of the private sector especially in the mining and petroleum sub-sectors.
- Difficulties in attracting and retaining personnel within provincial and district administrations, due in large measure to comparatively low levels of civil service pay, as well as lack of amenities/infrastructure in remoter parts of the country.

**Impact on service delivery** – The overall goal of PPII is to contribute to service delivery improvements by strengthening core administrative systems and processes and related personnel competencies. It is clear that the strengthening of core administrative functions is critical to better service delivery but while necessary, it is by no means sufficient. GoPNG has been grappling with the challenges of service delivery for many years and

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<sup>5</sup> See Section 3.6. on monitoring and evaluation for discussion of alternative tools for monitoring capacity change.

<sup>6</sup> Eg: DPLGA and NDoH Joint Case Study of District and Facility Service Delivery Funding Interim Summary of East New Britain Field Visit 27 – 31 October 2008

recognizes that the factors that need to be in place to improve service delivery are multiple and system-wide. The support provided by PPII is an essential one but its impact on service delivery improvements will be limited if it is not accompanied by improvements elsewhere. These include addressing issues of *funding* – which is being addressed in part through SNS support to NEFC (see 2.2.), issues of *coordination* and *coherence* across government departments and donor-funded initiatives, as well as better *alignment* to provincial (and district) planning, budgeting, HR and reporting processes (see 2.2 and 2.3.), addressing the need for *infrastructure development* at district and LLG levels, as well as tackling the cross-cutting as well as sector-specific *implementation bottlenecks* mentioned in box 1 and 2. Service delivery improvements also depend on the active engagement of civil society and the community at large and of strengthening downward lines of *accountability*.

**Box 2: Back to basics – Practical constraints to procurement in Esa’ala**

The District Administrator is the S32 officer with delegation to K50,000. Obtaining quotes from suppliers and managing bank accounts requires frequent visits to the Provincial capital – essentially a 2 day return journey. Using the computer requires the diesel generator to be used, but the budget provides enough fuel for power only 25% of the time.

The evidence of PPII impact on service delivery improvements is at this stage, weak. It will be important to address possible misperceptions that PPII should, on its own, result in service delivery improvements. As discussed below, the value of PPII is its ability to catalyze a more coherent approach to service delivery improvements that is based on a more comprehensive understanding of the challenges of service delivery. PPII should be regarded as an important part of the service delivery solution, but not the only mechanism to achieve this goal<sup>7</sup>.

**PPII as catalyst for change** - PPII has the potential to drive across-the-board service delivery improvement by harnessing the many fragmented initiatives currently being implemented at provincial and sub-provincial levels. This includes (i) promoting greater coherence across sector and central agency initiatives aimed at service delivery improvements, and (ii) linking up with bottom-up processes and programs aimed at strengthening lower local governments, wards and civil society engagement. Examples of some of these initiatives are listed in chart 4 below, and illustrated in box 3. However, as earlier noted, GoPNG is in the process of piloting the Service Delivery Model Mechanism (SDMM) and it will therefore be important for the relevant government departments and specifically PLLSMA, to determine how best to build synergy between SDMM, PPII, DSIP and other related initiatives<sup>8</sup>.

By implication, PPII’s focus should continue to be on strengthening core administrative processes that facilitate service delivery and that add value to the various other initiatives taking place. In this regard, it is appropriate to focus PPII efforts at the Provincial Administration level, and support those administrations to enable district and LLG administrations as well as civil society to deliver those services that are implemented outside of the provincial headquarters<sup>9</sup>.

<sup>7</sup> AusAID Sector program managers noted for instance that it is easier to engage with the more advanced PPII provinces to discuss sector implementation issues. They also noted improvements in resource allocation decisions.

<sup>8</sup> It is understood that SDMM is “parked” at PLLSMA and DPLGA is to take the lead with PLLSMA as the main co-ordinating and monitoring body.

<sup>9</sup> Many of the administrative processes PPII supports actually cut across provincial, district and indeed LLG levels - this is not always recognized.

**Chart 4 : Linkages with other initiatives – some examples**

Initiative	Agency	Objective
Service Improvement Program (SIP)	PSRMU	Diagnose and correct operational constraints in service delivery business processes
Public Sector Workforce Development Programme (PSWDP)	DPM/AusAID	Strengthen the capabilities of public service organisations and individuals.
Devolution of HR function	DPM	Devolve responsibilities for HR/OD to provincial level. Restructuring of provincial, district and LLG administrations.
Service Delivery Model Mechanism (SDMM)	PSRMU	Address system wide constraints to service delivery through piloting in 5 provinces, focusing on districts as the service delivery hubs
PCAP – treasury capacity Building	DoF/ UNDP	Strengthen capacity of provincial and district treasuries
District/ LLG Strengthening Project	DPLGA/ EU	Strengthen planning and budgeting processes of district and LLGs, as well as access to competitive development fund
Health Sector Improvement Prog (HSIP) + CBSC	DoH/ multi-donor	Improve health services delivery – through capacity building and recurrent funding
District Services Improvement Program (DSIP)	ORD	Allocation of development fund to open members for infrastructure development
Democratic Governance Transition Program	DCD/DPLGA AusAID	Promote civil society participation in development process at sub-national level.
PNG-Australia HIV/AIDS Program	NACS/AusAID	Support national response to HIV/AIDS in PNG

**Box 3: PPII and the devolution of HR function – building synergy**

The decision to delegate HR functions to the provincial level has represented an opportunity and challenge for PPII. It has proven a challenge in terms of introducing a sense of urgency to addressing HR, which may not have happened otherwise, while the restructuring processes that ensued, and the effect this has had on staff morale, has disrupted the “team building” and corporate identity achievements of the corporate planning process. The flexibility of PPII has however enabled the program to turn these challenges into opportunities. First, PPII has been able to mobilize its HR advisors to provide targeted support to provinces to implement the devolution and restructuring processes. Second, doing so has afforded an opportunity to build a strategic alliance between DPLGA and DPM which did not exist before. Third, the restructuring process which envisages a substantial transfer of personnel to district and LLG levels means that the reach of PPII has also been extended, enabling it to better address needs at the sub-provincial level.

**PPII Phased approach and exit strategy** - The PPII phased approach has, by and large, worked as a catalyst for public administration improvement. Progression from the preparatory phase through to Phase I and II has generally followed the model, and confirms its relevance<sup>10</sup>. For now there is no experience with the transition from Phase II to Phase III, although criteria for making this transition exists, but remain un-tested, and could possibly be refined to enhance the sustainability of SNS. In all likelihood, provinces currently in phase II may remain there for a number of years to consolidate capacity and strengthen service delivery mechanisms. The challenge will be to create incentives for graduation to Phase III. Currently those incentives may not be strong enough. Indeed, asked what success would look like, provinces found it difficult to envision the end stage of the PPII process.

It would be appropriate at this stage to think carefully how to best direct progression to Phase III. Doing so should take account of the growing interest in the district as the locus for service delivery, as well as emerging opportunities for aligning sector programs to provincial planning and budgeting processes. A possible incentive could be to reach a point where a portion of GoPNG and donor development funds are guided through the

<sup>10</sup> However, the neatness of the PPII model has had to be adapted to realities on the ground such as emergence of new priorities, and the need to adapt the sequencing of interventions.

provincial governments' financial management system to support service delivery implementation. This could constitute the vision for Phase III<sup>11</sup>.

**Gender** – AusAID's gender adviser noted in her 2007 review of SNS that, '*women are significantly under-represented at senior levels in the PNG and sub-national level government bureaucracies and parliaments.*' Interviews with provincial administrations confirmed this finding.<sup>12</sup> Few provinces have women in senior management positions. None of the Provincial Senior Executive Management Team members interviewed were female.<sup>13</sup> There was also limited evidence of gender-sensitive planning and budgeting despite the fact that female representation is mandated on the Joint Provincial Planning and Budget Priority Committee (JPPBPC) and Joint District Planning and Budget Priority Committee (JDPBPC) respectively. Nonetheless, SNS support has generated positive gender equality outcomes, particularly in ENB Province, the only Province with a gender mainstreaming strategy (see box 4).

#### **Box 4: Gender mainstreaming strategy – East New Britain**

Through the implementation of this strategy, the human resource restructuring exercise supported by PPII saw the appointment of five women to head of portfolio positions, including finance, legal matters and lands. The administration has also identified a specific 'Gender Mainstreaming' budget, to target support for women leaders in the public service, gender mainstreaming training for provincial government staff, and electoral support for women candidates in local government elections. The ENB Community Development Adviser –responsible for the gender mainstreaming budget – had evidently benefited from engagement with the SNS gender adviser, and from the strong support of the AusAID co-located officer. Some interviewees also suggested that the matrilineal social structure of ENB further enabled these outcomes.

While there appeared to be strong leadership commitment to gender equality principles in other PPII provinces – Milne Bay is seeking to develop a gender strategy for example – this has yet to translate into substantive action. There is also some concern that the SNS gender adviser's significant workload may preclude an intensive engagement in all PPII provinces and the SNS team should consider mechanisms to bolster this level of support, including strengthening linkages with other AusAID programs.<sup>14</sup>

**HIV/AIDS** - While there are some success stories related to the mainstreaming of HIV/AIDS, this issue did not receive as much attention in the provinces visited as it did in the Autonomous Region of Bougainville. SNS has been facilitating HIV/AIDS mainstreaming activities in ENB and EHP for example, but overall there is little evidence that HIV/AIDS issues are being taken into account in workforce planning in the public sector. This is significant given that a number of provinces indicated their intention to devolve a substantial proportion of personnel<sup>15</sup> to the district and LLG levels under their restructuring exercises, thereby increasing the risk of transmission in rural areas. HIV/AIDS issues also received minimal attention in the budgeting process despite the fact that provinces and districts through PACS and DACS are responsible for co-ordinating the HIV/AIDS response at these levels. That the Provincial Aids Committees (PAC) were initially established outside the provincial government structure continues to be an impediment to accessing provincial funds for these services.

<sup>11</sup> EHP, for instance, fully supports the current arrangement whereby PPII funds are integrated into the province's own planning, budgeting, financial and activity management systems. They are of the view that other similar AusAID projects such as HSIP, BEDP, ECBP and any other donor should follow the same process as the PPII funding. The province wants to see the total resource envelop available to the province to understand what project, program or activity is being funded by what resource funding.

<sup>12</sup> Only 9 and 15 percent of the attendees at PMT meetings in Morobe and Sandaun Provinces respectively were women.

<sup>13</sup> The exception was ENB where the AusAID co-located officer was considered a member of the SEM, however no PNG government officials at the SEM level were women.

<sup>14</sup> For example the Democratic Governance Transition Program.

<sup>15</sup> Sandaun province, for example, plans to devolve seventy percent of the provincial workforce.

There were, however, examples of SNS support facilitating enhanced response to HIV/AIDS issues. In Sandaun province, the PCMC was utilised by the Provincial AIDS Coordinator as a networking forum to coordinate HIV/AIDS programs. Through this forum she had developed a partnership with a local women's organisation to deliver HIV/AIDS education programs free of charge, and was also coordinating with health and education personnel in the delivery of HIV/AIDS awareness materials.

Significantly, the review team perceived that the cross-cutting issues of gender equality and HIV/AIDS had a higher profile in the later phase provinces, than those at the Preparatory Phase. This is perhaps indicative that at the very least SNS support is influencing provincial administrations to take greater consideration of these issues.

**Managing the process** - As PPII looks to further expansion in terms of addition of new provinces, graduation to higher phases in the PPII process, and greater attention to implementation issues at levels below the provincial headquarters, attention will need to be given to assuring that DPLGA as lead agency has the capacity to maintain the quality of PPII support. This raises a number of questions that are addressed in other parts of this report:

- How able is DPLGA to support a nation-wide and multi-phased program? (see 2.2.)
- What kind of CD strategy is most appropriate, how best to deploy TA and what options to TA deployment need to be considered? (see 3.4.)
- What is the most appropriate role for co-located officers? (see 3.3.)
- What kind of information management and reporting system can best support the needs of DPLGA as overall coordinator of PPII? (see 3.6.)

**Support to Autonomous Region of Bougainville and special case provinces** - The Review Team visited Bougainville and interviewed members of the Autonomous Bougainville Government (ABG), but did not visit other Special Case Provinces. PPII does not formally apply in special case provinces but parallel programs are supported through SNS. In fact the administrative capacity development needs expressed by ABG were consistent with those identified by PPII participants and the activities and other support from PPII were regarded by ABG leaders as relevant to these needs.

Based on the special needs and request of the ABG, SNS supports 8 technical advisors to build capacity in the regional administration.<sup>16</sup> A draft agreement on Joint Governance Arrangements for Managing AusAID Support for TA has been prepared enabling technical advisors to work within the priorities of the Autonomous Government and its management structures.

The major focus for the ABG under its Strategic Plan and Corporate Plan, is to kick start the economy to generate sufficient provincial revenues thereby relying less heavily on support from the National Government. With the ongoing discussions on the transfer of powers and functions under their new Organic Law, it is important that the ABG justifies its request for a basic level of services staff, resources and funding support that can be transferred under these functions similar to service delivery function grants in provinces. A workshop on the cost of services study for the ABG was to be held in mid March to begin this process.

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<sup>16</sup> Eight technical advisors will be assisting in economic development, legislative drafting, taxation and revenue, human resource management, policy development and analysis and finance and expenditure fields. There are also two co-located officers.

## 2.1.4 Recommendations

- AusAID and GoPNG need to review the incentives for progressing to Phase III of PPII and to create a vision for exiting PPII. This vision should aim at harmonizing and aligning the various non-recurrent budgets through provincial planning, budgeting and reporting systems.
- PLLSMA, DPLGA and PSRMU should explore ways to use PPII as a platform for coordinating and harmonizing various GoPNG initiatives to strengthen service delivery systems.
- It would be appropriate for PPII to review the lessons learnt from those current batch of provinces undergoing the Corporate Planning processes and their capacity development plans to refine methodologies and approaches.
- PPII should consider establishing a development and mentoring program for female officers up to senior management level. More generally, GoPNG is urged to uphold and reinforce the merit based appointment system to ensure equal opportunity for female workers.

## 2.2 Support for National Level Agencies

### 2.2.1 Background

SNS recognises that successful decentralisation requires an effective policy framework and capable institutions at the national level. Building on the experiences of SNI, SNS has provided support to:

- DPLGA as the lead agency empowered under the OLPGLLG to guide the decentralisation process.
- PLLSMA as the authority for monitoring and coordinating service delivery at sub-national level and for promoting inter-agency coordination.
- NEFC as the constitutional body responsible for guiding the reform of intergovernmental financial arrangements (RIGFA).
- NRI as an independent, non-government research body focusing on the review of the legal and institutional framework for decentralization as input in to Government of PNG's broader policy dialogue.

Prior to SNI, DPLGA had not been fulfilling some of its mandated responsibilities under the OLPGLLG. The National Monitoring Authority, the forerunner to PLLSMA, (to which DPLGA provided secretariat services), was never operational. DPLGA struggled to find its place as a lead agency in provincial matters.

DPLGA had, moreover, gained a reputation of being a policeman in exercising its responsibilities to suspend and withdraw powers from provincial governments for mismanagement through its Minister, the NEC and the National Parliament. Subsequent changes to the OLPGLLG removed some of these coercive powers, DPLGA had managed however to become a full member of the Central Agencies Co-ordination Committee (CACC), a strategic step in aligning itself in the mainstream of government. Under PPII DPLGA's approach to provinces relies on persuasion, consensus building and positive relationships with provinces.

NEFC was not adequately performing its mandated responsibilities due to lack of funding, staff and capacity to undertake a major review on intergovernmental financial arrangements. More importantly, there was little understanding about its role and its Constitutional mandate and, in terms of political will, there was resistance to change. The



usual requirements would be observed on budget consultation but NEFC had little data to justify any changes to budget allocations to provinces.

The National Research Institute (NRI) shared a similar fate, previous to PPII. It was rarely consulted on major policy issues or tasked to undertake major research for government. Through AusAID support and SNS this has now changed for both institutions.

## **2.2.2 Key findings and observations**

**DPLGA and PLLSMA** – SNS has supported DPLGA in a number of important ways. It has assisted it to develop and update annually, implementation of its 2004-2008 Corporate Plan, and subsequently its 2008-2012 Corporate Plan. It has facilitated the revival of PLLSMA as a key co-ordination and monitoring body responsible for holding provinces accountable, and has reinvigorated DPLGA with a strong sense of purpose. SNS has moreover supported DPLGA to roll out PPII. In so doing, it has recast DPLGA's role as an "enabler" and "facilitator" and, reaffirmed its role as a lead agency in relation to provincial matters.

DPLGA's capacity has been considerably strengthened to provide advice and support to provincial administrations. The demand since the roll-out of PPII has grown and DPLGA therefore requested assistance from SNS of technical advisors in financial management, performance management and human resources management, who are based in Port Moresby and fly out when their expertise is required.

DPLGA is the Secretariat to PLLSMA, and DPLGA's Performance Monitoring Division is directly responsible for its operations. There has been a major drive to re-engage provincial administrations and national agencies on PLLSMA's role. The Secretariat has also been responsible for the reactivation and convening of Governor's Meeting and the Provincial Administrators Conference annually.

The Performance Monitoring Division is also responsible for monitoring compliance under Section 114 and 119 Reports under the Organic Law and SNS has raised the profile of these reports. Submission of Section 119 annual reports for 2006 by 15 Provincial Governments on their performance indicates a major change in the way provincial governments see PLLSMA and DPLGA's role and clearly signals a closer working relationship with most provincial management teams

The establishment of Provincial Monitoring and Co-ordination Committees (PCMC) is another important development and should be supported by setting up regional inspectorates to ensure compliance with the Organic Law by provincial administrations. Coherence within DPLGA becomes increasingly important as all these responsibilities become enlarged.

Strong leadership from the Secretary DPLGA and DPLGA's senior management team has ensured a functioning PLLSMA that is co-ordinating and monitoring national sector programs for implementation at provincial level, regular meetings of senior management and adherence to the department's Corporate Plan. Evidence emerging from these efforts supports effective implementation of PPII.

The rollout of PPII has pointed to the serious need to strengthen collaboration between National Agencies as well as improve co-ordination and alignment with national sector

policies and programs. One way PLLSMA has addressed this is by setting up about 6 Sub Committees for respective sectors with service delivery functions under PLLSMA to work out for example, how best to implement the National Agricultural Development Program at the sub-national level. These and other actions by PLLSMA and the increased capacity DPLGA now has to support provincial administrations is changing relationships and practices with other government institutions to a more collegial team approach in working at sub-national level. At a PLLSMA meeting on 6 March 2009, Acting Chief Secretary and Acting Chair CACC, committed CACC to a better working relationship with PLLSMA. Recognising PLLSMA's legal mandate, the Acting Chief Secretary in promoting the government's National Strategic Plan not only confirmed that the new service delivery model mechanism (SDMM)<sup>17</sup> was parked at PLLSMA but said "this time we are re-branding and energising PLLSMA and the accompanying SDMM" while urging key government intervention programmes PPII, SIP, FMIP, CBISP, Devolution of HR and PSWDP to be part of the team to pilot SDMM. DPLGA through PLLSMA has been working closely with PSRMU and key service delivery departments to pilot SDMM in five provinces to begin in April and report back through CACC and NEC on a proposed model for implementation.

Other sub-committees of PLLSMA include Planning, NEFC Development Expenditure Review, Office of Rural Development DSIP, Human Resources and Capacity Building and NEFC Function Assignment. One of the main achievements of PLLSMA is the development of the Function Assignment Determination which provides detailed service delivery functions and responsibilities as to which organisation and at which level is responsible for the service. In addition, a function assignment mechanism has been adopted for approaching changes to administration at sub-national level.<sup>18 19</sup>

**NEFC** – SNS has played a critical role in enabling NEFC to deliver high quality products that have helped transform inter-governmental financial arrangements as well as knowledge and understanding of the costs and constraints of service delivery. Building on the strong ownership by DPLGA and closer collaboration with Departments of Treasury and Finance, NEFC employed a successful communication strategy which sought and obtained the political backing required for National Parliament to amend the Organic Law and enact the revised intergovernmental financing arrangements.

NEFC's work on intergovernmental financing, provincial expenditure and cost of services was used to frame the 2009 National Grants to Provinces including at a minimum 40% increase in grant funding for services directed towards those provinces whose revenues most dramatically fall short of their local costs for delivering services.

The quality of NEFC's work has been acknowledged by the World Bank through a peer review where NEFC was commended on the robustness of their analysis. The NEFC experience provides a valuable lesson as a reform policy process that has been successful in managing the interface between the bureaucracy and the political level with one qualification, that NEFC does have some protection as a constitutional body.

The Review of Intergovernmental Financing Arrangements (RIGFA) was a major task that required technical assistance to support the development of system capacity rather

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<sup>17</sup> SDMM is being trialled in Chimbu, Madang, Milne Bay, Central and West Sepik Provinces.

<sup>18</sup> Whimp K. (2009) PNG Sub-national Strategy "Policy Process Supporting Intergovernmental Reforms"

<sup>19</sup> Sunday Chronicle (2009)

than individual or organizational capacity and provide good information for policy making and analysis. The point has now been reached where NEFC needs to think seriously about its long term sustainability and to develop a transition plan for capacity development, as the ratio of one national officer to one technical advisor is unsustainable. This may involve increases in staffing and remuneration levels to keep the organization small and highly productive. NEFC does not see its role as extending to do further analysis on the outputs of its work such as on the cost services study and DPLGA and sector agencies have taken some responsibility for this.

**NRI** – Research is another important element that SNS has supported through the NRI's Sub-national Governance Program. One recent output draws together a wealth of information that can inform discussions, debates and decisions on intergovernmental relations, issues and problems and future reforms<sup>20</sup>.

In addition, the program aims to establish a permanent research network, a database on national/sub-national governance and provide research reports that are more useful for policy makers as well as co-ordinate research capacity on designated assignments. More recently profiling of four districts and seven LLGs has been conducted to ascertain their capacity to deliver services. Closer collaboration with NEFC may provide some opportunities for research fellows to participate in NEFC's on-going work. NRI's credibility has clearly grown, however this can also be attributable to enhanced support from other programs, besides SNS.

**Coordination and synergy** – DPLGA and NEFC have both been major drivers of decentralisation and have strengthened their working relationships with Central Agencies such as Treasury and Finance as mentioned before. As directed by NEC and affirmed by Acting Chief Secretary to Government, through PLLSMA, DPLGA has been closely working with the Public Sector Reform Management Unit (PSRMU) and other relevant agencies on the implementation arrangements for the SDM Mechanism to align with and build upon existing sub-national programs and mechanisms such as PLLSMA and DSIP<sup>21</sup>.

The Department of Personnel Management (DPM) has capitalized on the opportunity to use PPII to assist the devolution of its human resource functions. Only East New Britain and Sandaun Provinces are examples where these delegated functions have been taken on, its rationale understood and organisations restructured to reflect their service delivery functions. One of the main obstacles has been the affordability of the restructuring exercise by not working within the budget available under item 111. Other obstacles include shortage of housing and other infrastructure in remoter areas. Other provinces have not advanced so far. Both East New Britain and Sandaun have now approved structures and have recruited senior managers.

To assist this process a questionnaire on HR capacity in 7 PPII Provinces was carried out which provided information for DPM to determine the best approach to devolving HR powers to these provinces. Mentoring and support to provincial HR officers was a positive facilitating role played by DPLGA technical advisors. PPII Provinces are now empowered to administer their new responsibilities on personnel matters, including recruitment and appointment, resignation and retirements, execution and administration of contracts of employment and creation and abolition of positions.

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<sup>20</sup> Dr. Alphonse Gelu, *The Quest For Good Governance. A Survey of Literature on the Reform of Intergovernmental Relations in Papua New Guinea*, Monogram No.40 2008.

<sup>21</sup> The Department of Prime Minister and NEC is a member of PLLSMA. PSRMU is under the Department of PM and NEC.

One major weakness in intergovernmental coherence is the lack of donor and sectoral co-ordination at the provincial, district and local level. The MTR was encouraged to learn that the Department of National Planning and Monitoring (DNPM) intends to engage more with development partners this year and urges DNPM to step up to its role as the lead agency for donor co-ordination and sectoral policy and planning given current directives from the National Government on SDMM and the interest by donors to support clear planning and service delivery needs at District and LLG levels. Some service delivery coordination across 3-levels of government is starting:

- DPLGA is working the other AusAID programs (particularly DGTP) to pilot strengthened, participatory ward development planning and the processes for feeding those plans into District and Provincial budgeting and planning processes. This work has not received input from DNPM or SNS, despite repeated offers to engage.
- Donors have initiated an informal round table for capacity building at sub-national levels.

### 2.2.3 Recommendations

- Consideration should be given to strengthening PLLSMA's capacity for analysis, reporting and feedback relating to data in S119 and S114 Reports<sup>22</sup> and the establishment of a suitable and simple Management Information System.
- NEFC should be supported to provide additional analytical services to PLLSMA so that service delivery, administrative changes and other outputs reported in s119 reports can be monitored in each province and linked to the input data already analysed by NEFC from development budget and fiscal capacity and expenditure reviews.
- NEFC should develop a transition plan for capacity development in order to be ably resourced in the medium term to exercise its mandated functions.
- Given the rapid expansion of PPII over a short period of time, AusAID and GoPNG need to review the delivery capacity and CD strategy of DPLGA and SNS to ensure that quality is maintained. DPLGA should also ensure that there is coherence between the support it provides to provinces and districts through the Capacity Building Division and the Performance Monitoring Division and the support that is now being provided to districts and LLGs through the Local Government Advisory Services Division. This should include a common determination of needs in terms of strengthening implementation capacity.
- SNS should consider setting aside a budget for research to enable NRI/PNGIPA to prepare research papers and organise forums on some of the key decentralisation policy debates. This could include sponsoring a Waigani Seminar with UPNG, NRI, DPLGA, NEFC and Prime Ministers Department PSRMU for example and promoting policy dialogue on key issues.

<sup>22</sup> s114 report: DPLGA and DOF monitors provincial financial performance under s114 of the OLPPLL known as the s114 report. These reports are supposed to demonstrate financial performance, the full financial position of the province and LLGs as well as be accompanied by a full audit report. A copy of the report is presented to NEFC

## 2.3 Coherence across the AusAID program

### 2.3.1 Background

SNS was designed in part as a mechanism to inform the broader Australian aid program in PNG of development issues facing sub-national administrations. It was thought that an understanding of sub-national issues garnered through the SNS, would be shared across the Australian aid program, and would position Australia well to assist GoPNG to develop coherent policies and strengthened systems for the delivery of services as defined by the Organic Law. While recent efforts to enhance performance against this objective are acknowledged, the review team found that there is much left to do.

### 2.3.2 Why Coherence is Important

As PNG's largest single development partner, Australia is well positioned to assist PNG to develop coherent policy frameworks and strengthen service delivery systems. The Australian PNG program covers a large number of sector and thematic areas including health, education, roads infrastructure, law and justice, governance, public administration, and HIV/AIDS. Most of these programs have a national focus and work through GoPNG national departments<sup>23</sup>. However, large parts of these programs are actually implemented at sub-national levels, although in most cases they work outside structures and systems of sub-national government.

The current disconnect between AusAID's sectoral focus and its support for decentralisation through SNS creates inefficiencies and inconsistencies in program delivery undermining overall efforts to improve service delivery. As a result:

- Provincial administrations play at best a marginal role in the design and decision-making processes of sector/thematic programs. Decisions regarding priority setting, choice of province to work in<sup>24</sup>, and types of capacity development support to provide, tend to be taken at the national level between national departments and AusAID program managers.
- Sector programs are largely implemented using parallel systems and procedures that function outside the framework of sub-national government systems. This includes the use of separate accounts, planning and budgeting processes and reporting systems. Consequently provincial and to a lesser extent district administrations lack a complete overview of the funding envelope, especially regarding development funds, which affects their ability to make realistic resource allocation decisions<sup>25</sup>. Funding from AusAID and other donors is generally not taken into account during planning and budgeting. Taking the health sector as an example, the National Department's requirements for annual planning under Health Sector Improvement Program (HSIP) do not readily translate into Provincial budgets and expenditure management formats.
- The use of parallel management systems also means that reporting by-passes formal systems (such as s119), while staff must spend time complying with a multiplicity of separate rules and procedures.

<sup>23</sup> National sector programs are well placed to focus on National-level functions and on sectoral inputs that are needed across the board, for example, in the education sector, on curriculum materials, teacher training and facilities maintenance.

<sup>24</sup> Most sector programs work in selected provinces guided by different criteria eg. Law & Justice works in 9 provinces, Education however is in all provinces.

<sup>25</sup> In one province, for example, the absence of clear information regarding the HSIP budget for the province resulted in the under-funding of health needs which it was assumed would be covered by HSIP. There were of course exceptions – the Education team in one province had included AusAID activities in its annual planning and budgeting, however this was an exception and appeared to be due largely to the high calibre of the management team who had cultivated strong relationships with donors and actively sought this information.

- The top-down sector focus reinforces the “silo” or vertical approach that undermines efforts to develop an integrated and area-based approach to development planning. It also reinforces the idea of provinces as recipients rather than active participants in the determination of plans and budgets. This can undermine local ownership as well as the goals of capacity building and systems strengthening in the area of public financial management.

### 2.3.3 Key Findings and Observations

**Informing AusAID Programs** – It was surprising to find how poorly understood SNS is among other AusAID programs. Programs are not clear about the objectives of SNS and how they might engage with it. This suggests a need for SNS to better communicate what it actually does, how it works and why it is important to other areas of the country program.

In part, this has resulted from a lack of deliberate effort on the part of SNS, and the AusAID PNG program more generally, to engage in internal dialogue and exchange. In part it reflects a general lack of coherence within the country program, a weakness that has been acknowledged and which will be addressed through the appointment of a Chief Operations Officer. In part, it reflects the fact that SNS has no formal authority to guide cross-program strategy. But it also reflects the sheer workload and time constraints that program staff face and that impede greater coherence and coordination.

Despite these constraints, in the last year, a more deliberate effort has been made by SNS to engage with other programs. This has included:

- Organisation of **bi-annual SNS workshops** with program managers, which several officers described as an important step forward, as well as **briefing** of team leaders of managing contractors implementing AusAID programs.
- Contribution by SNS to **design processes and peer reviews**. Examples include the new education and revised health SWAp, along with democratic governance, transport and law and justice designs.<sup>26</sup>
- Development of a **Decentralisation Toolkit**, which explains the interlinked system of decentralised government in PNG, details the functional responsibilities of different levels of government, outlines the Provincial budget process and summarises PNG’s new intergovernmental financing arrangements.
- Establishment of regular **provincial coordination meetings** for AusAID’s sectoral advisers in several PPII Provinces, while in Bougainville, assistance is being given to establish a **coordination forum** for donor-supported programs in the region<sup>27</sup>.

A number of sector programs also cited specific ways in which they have engaged with/drawn on the work of SNS. Examples include:

- The Education and Law and Justice programs are now using **costing data** produced by NEFC in their program planning and budgeting.
- A number of programs have drawn on the SNS **toolkit on budgeting and decision making process** to inform the design of new programs.
- Law and Justice and HIV/AIDS Programs have both prepared **engagement strategies** to work more proactively with provincial administrations. For example, the Provincial Administrator is the chair of Law and Justice Committee and in most provinces now

<sup>26</sup> Although this is seen as a welcome development, some members of the SNS team felt that the treatment of decentralisation issues in designs remains largely superficial. See also Rapid Appraisal of ODA Design Documents in PNG, prepared as an input to the MTR.

<sup>27</sup> The approach has varied from province to province based on the desire and appetite of the administration to engage.

chairs the Provincial Aids Committee. In Milne Bay, the PAC Co-ordinator is a member of the Provincial Management Team.

### **Box 5: Building synergy between SNS and HIV/AIDS**

Australia/GoPNG HIV/AIDS Program team expressed a thorough understanding of the SNS and its role, and had recognised the potential benefits of a close engagement with the SNS team. The SNS, particularly co-located officers, were perceived as better placed to leverage engagement from important national and sub-national areas of government in relation to HIV/AIDS issues due to the strong relational emphasis of the program. This high level of cooperation is evident in the development of a shared strategy with SNS team for mainstreaming HIV/AIDS, and is presently being leveraged by AusAID's PNG HIV/AIDS Adviser to support the efforts of PACs to link into provincial budgeting processes.<sup>28</sup>

**Understanding of sub-national Governance** – Many AusAID officers working on sector and thematic programs, acknowledged a limited understanding of the structures and functions of sub-national levels of government, although this is beginning to improve.

It would, therefore, seem appropriate for the AusAID program to organise as part of a general induction, a briefing on the structures, roles and mandates of sub-national levels of government appropriate to the level of program engagement at the sub-national level<sup>29</sup>.

It should be noted that AusAID's inconsistent approach and lack of awareness to decentralisation issues in programming, mirrors that of GoPNG. The steer by government to rectify this is not strong with several national sector agencies working on deconcentrated models of service delivery<sup>30</sup>. For example, in both the health and education sectors, parallel implementation arrangements are used that do not take account of the Organic Law. Meanwhile, DSIP, which delivers national project funding directly to the district level, also circumvents provincial structures defined in the Organic Law. As noted in the previous section, the role of PLLSMA sub-committees in strengthening coherence between sector programs and decentralised structures is critical here. It will remain a challenge for AusAID to align with partner government priorities and systems so long as GoPNG itself does not have a coherent approach to decentralisation.

**The role of co-located officers** – One of the intentions of co-location (see also section 3.3.) has been to facilitate coordination and coherence of AusAID activities at the provincial level. However there is a sense that the co-located officers have limited understanding of, and influence over, sector programs and in some cases have been playing more of a logistical support role to AusAID. SNS co-located teams on the ground in the Provinces and Autonomous Region of Bougainville estimate that they presently spend 25-40 per cent of their time in any given month coordinating and assisting sector program teams while one co-located officer estimates spending approximately 80 percent of his time on coordinating visits.

The potential coordination/dialogue role of co-located officers is, however, recognized. They can support information sharing and dialogue at provincial level. Yet, it is difficult

<sup>28</sup> Provincial Aids Committees were initially set up outside the rubric of the broader provincial administration and their activities were funded by AusAID's NHASP program. PACs now receive funding from the National AIDS Council for coordination only and are expected to obtain resources for HIV/AIDS related services from the provincial budget.

<sup>29</sup> For the transport sector program which currently focuses on supporting the Department of Transport which is mandated to work exclusively on national roads, knowledge of sub-national administration may be less critical. By contrast, delivery of education and health services is largely decentralised to sub-national levels and therefore an understanding of the functioning of these levels is absolutely essential for those programs supporting these sectors.

<sup>30</sup> See annex 1 for a definition of deconcentration and devolution

to expect them to do more without a more fundamental rethink of how assistance is delivered across the country program.

**Coherence and coordination of donor efforts** – In recent years, there has been a significant increase in donor interest in working at the sub-national level. The EU, for example, is in the early stages of implementing its *Strengthening of Districts and Local Level Governments Project* which will focus on building capacity at the district administration and Local-Level Government levels, while the World Bank is currently designing a USD25 million program which aims to strengthen local level governments and provide community grants. NZAID and the ADB are also expected to become more active in the sector.

When combined with the significant existing GoPNG, UNDP and AusAID programs directed at these levels of administration, the large number of actors will potentially pose a significant coordination burden for already constrained provincial governments. There is also a significant risk that these programs will promote incoherence in public administration at sub-national levels if they fail to support the functions of sub-national levels of government as defined under the Organic Law.

Initiative taken to organise donor coordination meetings on sub-national government represents a very important first step. While any donor coordination effort should be lead by GoPNG, AusAID's status as the largest donor to PNG, combined with its deep knowledge and experience of decentralisation in PNG, place it well to take a leading role in encouraging donors to harmonise their efforts and align with decentralised government systems.

**Gender** – The success of the SNS team's work to better integrate gender mainstreaming principles can be seen in the commendable gender equality outcomes in ENB. The appointment of the SNS gender advisor appears to have been an important factor in these successes, although it is clear that the remaining PPII provinces require further attention. The SNS team should continue to work closely with AusAID's PNG-based gender adviser to pursue further opportunities for policy dialogue on gender equality at the national level.

#### **2.3.4 Conclusion**

The way in which decentralization reform processes interact with sectoral reform processes is a critical one. It is imperative that both GoPNG and AusAID explore ways to enhance coherence and to avoid the two reform processes from pulling in opposite directions. This suggests a need for a more intensive process of policy dialogue and cross program exchange. This needs to happen across GoPNG as well as across the AusAID country program.

With respect to AusAID and GoPNG there appears to be some confusion between the understanding of SNS as a "strategy" that can inform the entire AusAID PNG program about engagement at the sub-national level, and the understanding of SNS as a discrete "program" or intervention aimed at strengthening sub-national governance. In practice, both the "strategy" and the "program" are needed but they are currently bundled together in a way that creates confusion.



### 2.3.5 Recommendations

- AusAID needs to distinguish SNS the strategy from SNS the program. The “SNS strategy” needs to respond to the Partnership for Development<sup>31</sup> and be driven by a clear vision and as a management issue that cuts across the entire country program. The “SNS program” needs to proactively engage with and support sector programs, which address other service delivery constraints and so complement public administration efforts led by SNS.
- The SNS program should proactively push its agenda of coordination and coherence by communicating effectively and proposing alternative modalities for operating at the sub-national level. AusAID senior management must provide strong and visible support to the role of the SNS in promoting program coherence and coordination.
- The role of the SNS co-located officers should become a more integrated member of the sector teams to enable improved understanding, coordination and coherence across the program.
- More use could be made of the accumulated experience of local advisors who have worked at the interface between AusAID internal systems and program delivery, possibly in collaboration with DPLGA, to provide a PNG perspective on practical ways to improve co-ordination between SNS and AusAID Sector Programs.
- DNPM with DPLGA through PLLSMA, should actively engage with (sectoral) agencies and donors on donor co-ordination of sub-national issues and programs including SNS.

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<sup>31</sup> See annex 2 for a brief overview of the GoPNG-Australia Partnership for Development

## 3 Implementation mechanism and systems

*This chapter reviews the mechanisms and systems used to implement SNS. In so doing, it addresses questions related to program efficiency and relevance.*

### 3.1 Incentives

#### 3.1.1 Introduction

SNS provides graduated annual incentive payments to provinces participating in PPII to create an incentive framework around capacity development support (see also section 1.1.). There are three phases articulated in DPLGA and SNS documents, with criteria for graduating between preparatory, first and second phases but not to the third and final stage. Incentive payments are based on performance against administrative targets<sup>32</sup> making the support staged, benchmarked and performance based. Payments can be used to support capacity development activities as well as support improvements to service delivery. They also provide opportunity for dialogue between national agencies (in particular DPLGA, NEFC, PLLSMA) and provincial administrations to discuss priorities for capacity development and service delivery improvements and allow for the monitoring of related improvements. These incentive payments are not linked to any wider budgetary or development conditionalities and are treated as discretionary within the following understanding:

- K 0.25 million allocated to Phase I provinces for CD-related activities only.
- K 0.5- 1.0 million allocated to Phase II provinces for CD related activities and service delivery activities (recurrent or development).

Determination of allocations is made by the PPII Secretariat after considering reports on provincial performance. Funds are channelled through DNPM and lodged in most cases in provincial trust accounts. In the case of EHP and ENB, the funds are remitted directly into the provincial account and recorded as “own revenues.”

#### 3.1.2 Key findings and observations

**An incentive for change?** – Despite being relatively small, PPII incentive funds are highly appreciated by Provinces. They particularly welcome the fact that they are able to determine how the money is spent<sup>33</sup>.

Yet, while being clearly attractive, particularly for those Provinces that have limited access to own revenues (eg: Sandaun), incentives are not the main driver for participation and progression through PPII. Other incentives include a genuine desire to improve governance and service delivery, as well as a sense of inter-provincial competitiveness. While incentive payments can support such drivers of change, they cannot create a motivation for reform where one does not already exist.

The potential value of incentive payments depends largely on them being used in a consistent and transparent manner. Overall, this seems to have been the case. Yet there is some evidence that suggests sometimes a more flexible application of the rules. This can potentially cause misunderstanding and undermine the value of the incentive.

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<sup>32</sup> DPLGA (2007) Draft guide to services and performance requirements under PPII

<sup>33</sup> The Milne Bay PA stated this generated a sense of trust and represented a real partnership with the DPLGA

With respect to the incentive funds allocated to phase I and phase II provinces, DPLGA has generally been reluctant to reduce amounts below the maximum amount available even when provincial performance has been below expectations.

On the other hand, the PPII Secretariat has been quite strict in approving graduation from one phase to another. Graduation is based on criteria linked both to administrative performance as well as rate of spending, but not necessarily to service delivery performance<sup>34</sup>.

Thus, at the end of 2008, it was decided not to graduate West New Britain from Phase 1 to Phase 2, nor to allow Enga and Manus to graduate from the Preparatory Phase to Phase 1. Moreover, two provinces were put on hold in response to quite significant instability within their respective administrations. Meanwhile Sandaun and Milne Bay were graduated to Phase 2 in 2009 because of good overall performance, but Sandaun has to wait until 2010 for their incentive payment because of their slow rate of spending whereas Milne Bay receives a full K1m in 2009 because of a demonstrated very high rate of spending. Yet, in other cases, provinces were allowed to graduate even though they had not met all the set criteria because other factors were taken into account that in the view of the Committee merited consideration. The risk with such an approach to incentives is that it could be perceived to be inconsistent and opaque – reducing the confidence in and value of such incentives.

A number of Provincial Administrators noted that from the point of view of equity, the level of incentive funding should be formula-based and linked to cost of service delivery as per the calculations provided by NEFC.

**How the incentive money has been used** – Provinces have used the incentive funds in accordance with PPII guidelines, as reflected in Charts 5 and 6. Since 2005, K 12.6 million has been allocated to Provinces, of which K8.4m has been disbursed and K4.2m has been carried over. Phase I provinces have used the funds to finance portions of their Corporate Plan implementation, while Phase II provinces have also used the funds to finance service delivery activities.

**Chart 5 : Use of incentive funds by Phase II provinces 2005-8 (K10.6m)<sup>35</sup>**

Province	Amount (K mill)	Expenditure Rate %	Expenditure Items
Central	2.6.	93	Housing; Provincial and District Office refurbishment; water supply to health centres; road works; and capacity building
East New Britain	4.0.	76	road improvement; asset management; LLG and Provincial capacity building; training women for elections – resulting in 7 being elected as Ward Councillors.
Eastern Highlands	4.0.	49	renovation of District offices, high schools, and a hospital; road improvements (where the delays in expenditure mainly appear to be occurring- for example 60% of the Airport Road has been completed); and capacity building
Milne Bay (recently graduated)	0.5	95	office equipment, including radios, an IT system; planning and budgeting; and the development of a fixed assets

<sup>34</sup> It is noted that administration remained the highest area for expenditure in 2005-06, whilst the only Provinces to improve their expenditure on MTDS priorities from 2005-06 were Simbu, Central, and Eastern Highlands. None spent as much as they should given their fiscal capacity (Source: NEFC, Its more than numbers)

<sup>35</sup> Chart 5 and 6 are based on information contained in the background paper on Incentives prepared for the MTR team.

to Phase II)			management system; building of a training facility and improvement of government buildings.
Sandaun (recently graduated to Phase II)	0.5	56	office equipment, and other activities to implement the Corporate Plan, HR improvements, including a manpower audit, and District improvements (only 10% of this completed).

A number of provinces noted that the funds had allowed them to finance capacity development activities that had previously been put on hold for lack of funding. But it was also acknowledged that capacity development had in the past been given low priority because of a lack of awareness of the importance of investing in capacity development. In this regard, the Corporate Planning process had helped raise awareness of capacity development.

**Chart 6 : Use of incentive funds by Selected Phase I provinces 2005-8**

Province	Amount (K mill)	Disbursement Rate %	Expenditure Items
Simbu	0.5	24	Simbu had planned to spend the funds on a range of HR, communication, building maintenance and office equipment but has experienced delays in implementation.
West New Britain	0.5	36	Improving communication (which it is seeking reimbursement from PPII), IT and HR improvements and the development of a fixed asset management system (in progress).

Phase II provinces have drawn on incentive funds to complement their own funding of service delivery activities. Some of the activities funded have been recurrent expenditure requirements which the province was unable to fund due to financial constraints. East New Britain and Eastern Highlands provinces showed their commitment by providing counterpart funding to assist some of the activities.

In a number of provinces, PPII funds have been allocated using the provinces own planning and budgeting processes and have thus become an integral part of the priorities of the province. DPLGA is trying to work with the remaining provinces on better aligning spending proposals with the budgeting process.

The discretionary nature of incentive funds has facilitated expenditure on cross-cutting issues such as gender mainstreaming. For example, funds were used in ENB to support targeted electoral assistance for women candidates in LLG elections resulting in the election of seven female Ward Councillors – the highest proportion in the country. While there is clearly a strong commitment to gender equality issues in this province, it is questionable whether this money would have been allocated in the absence of PPII incentive funds. Similarly, in Milne Bay the Provincial Administrator and his PMT admitted that PPII funds were used for normal service delivery activities that would not be possible otherwise. These examples highlight the risk of dependency on the Incentive Fund to finance activities that should be funded through the annual provincial budget. Incentive Fund payments should be viewed as additional funds that will help build the Province's capacity to deliver services better, not as a top up for normal activities. Because provinces are free to use the funding for any purpose connected with service delivery, funds have been used in some cases for activities which are not aligned with national priorities.

**Financial arrangements** – When provinces join Phase II, separate trust instruments are signed to establish a trust bank account and a trust account in the PGAS. Payments to

suppliers from PPII funding are done through PGAS cheques. The PPII funding is taken up as an Internal Revenue in the 700 series.

Delays in approval and disbursement of incentive payments, when transitioning from one Phase to another, were an issue raised in both Sandaun and Milne Bay. These delays have created difficulties for the Provinces when attempting to commence Phase II-related activities. There may be a need to strengthen communication with the Provinces regarding timing of payments to manage these expectations.

### 3.1.3 Recommendations

- Incentive payments should only be made to provinces when they meet agreed, transparent and verifiable performance criteria that are communicated clearly in advance and seen to be applied objectively. The value of the incentive payments is immediately lost if strict adherence to the criteria is not upheld.
- An assessment should be made of the incentives needed for Provinces to successfully complete Phase II and advance to Phase III. As suggested elsewhere, besides provision of a financial incentive, it may be appropriate to think about alternative funding mechanisms that prepare the way for moving towards a single financing instrument eg: earmarked budget support.
- In the meantime, incentive funds provided to Phase II provinces should be channelled through provincial PFM systems, (with appropriate checks and balances) to avoid adding to the plethora of off-budget funding sources, and in order to ensure effective use of funds in line with approved plans and budgets.
- Communication with Provinces should be improved regarding timing and use of the Incentive Funds, for instance, guidance on kinds of CD activities that merit funding and that cannot be financed from other sources.

## 3.2 Government systems

### 3.2.1 Introduction

The SNS design document is clear in its intent and focus to support and further develop sub-national systems of government<sup>36</sup>. Working through government systems also constitutes an important principle underlying the Paris Declaration and the Accra Agreement (although this is not something specifically referred to in the SNS design document). Section 4.2. provides a rapid appraisal of SNS compliance with the Paris Declaration indicators. SNS support for government systems has manifested itself in various ways. Overall, the program aligns to government decision-making processes. However, some key aspects of program management remain outside of government systems. This includes program finances, (with the exception of incentive payments to PPII provinces), as well as management of technical assistance and related CD support which is managed by an Implementing Service Provider (see section 3.5.).

### 3.2.2 Key findings and Observations

The following examples illustrate SNS efforts to support government systems:

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<sup>36</sup> The SNS aims to be “consistent with the support for partner programs model” and “seeks to maximize partner government ownership, ensure coherence between partner’s policies, spending and results and transaction costs, using partner government systems to the greatest extent possible”.

**Strengthening GoPNG monitoring and coordination mechanisms** – A remarkable achievement that demonstrates the enhancement and strengthening of government systems has been the support provided to revitalise PLLSMA as a key government policy and co-ordination body for sub-national level service delivery (see section 2.2). In addition, support for a new initiative, the establishment of Provincial Co-ordination and Monitoring Committees (PCMC) in 6 provinces provides for stronger co-ordination links between key national sector policies and programs and implementation by provincial administrations, donors and civil society at provincial level. It will further enhance the role of DPLGA as co-ordinator of capacity building in provinces and build broader stakeholder ownership, coherence and sustainability at sub-national level.

It is important however that DPLGA and SNS teams ensure that as PCMCs rollout and/or that Provincial AIDS Committees (PACs) move under the auspices of Provincial Government, PAC's function of engaging with a broad range of stakeholders is not dissipated and clear lines of accountability are demarcated.<sup>37</sup>

As discussed in section 3.6, a greater effort needs to be made to align the SNS monitoring and evaluation framework around GoPNG statutory reporting instruments and processes.

**Strengthening core provincial systems and processes** – By strengthening core administrative processes of provincial administrations, and by working within the government structures, SNS has gained wide acceptance in PPII Provinces. A sense of trust and confidence has developed between provinces, DPLGA and AusAID particularly as Provincial Management Teams are better able to understand their roles, and are encouraged and motivated to operate as a key co-ordinating body of the provincial administration system.

Ample evidence was shown in the timely utilisation of incentive funds in Milne Bay Administration to rehabilitate buildings, integrate the planning and budgeting framework and to implement their corporate plan. The ability to determine how incentives are used to spend on provincial priorities has generated a sense of real partnership with DPLGA and AusAID<sup>38</sup>.

**Supporting key national agencies and dialogue processes** – Support for capacity development in DPLGA and NEFC has enabled both agencies to improve their working relationships with key stakeholders, notably at provincial level and with central agencies; between NEFC and Treasury a close and ongoing co-operation, unlike previous years, and DPLGA and PSRMU in the Prime Minister's Department. Numerous workshops were held in partnership with the Capacity Building and Institutional Strengthening Program (CBISP) for Elected Leaders on the Organic Law and Local Government Administration as well as collaborating on the Services Improvement Program.

Strategic reports to CACC by the SNS (PPII) Steering Committee provides some accountability and opportunity to build alliances at the highest official level which should not be forgone since it is a key link in the GoPNG decision making process. The reconvening of the Governor's meeting and Provincial Administrator's Conference in a coherent calendar that aligns with PLLSMA and Annual Budget Meetings has also improved the predictability and regularity of dialogue and consultation between national

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<sup>37</sup> AusAID : Towards a Strategy for HIV Mainstreaming for SNS Kate Butcher November 2008.

<sup>38</sup> However, delays in the release of funding during the transition between phases 1 and 2 have been disappointing to the provincial administration complicated by the different budget cycles of Australia and PNG.

and provincial politicians and officials. The merging of PLLSMA's calendar with CACC, NPC and NEC should assist in institutionalising provincial and national dialogue and meetings.

**Working through provincial financial management systems** – There are isolated examples of PPII being delivered through public financial management systems. For example, in Eastern Highlands Province, a trust account for managing incentive funds has gradually been incorporated into the provincial planning and budgeting process over a 3 years period, with funds being directly transferred into the provincial government operating account. East New Britain Province has undergone a similar process. Other phase 1 and 2 provinces still retain a separate trust account under the PGAS system. It may be harder to audit AusAID accounts using GoPNG financial management systems unless auditing government processes are sufficient for AusAID purposes however this may mean that AusAID direct support will become less visible.

**Management of SNS** – Responsibility for managing SNS rests with AusAID and the Expanded PPII Steering Committee. They co-ordinate assistance at the sub-national level and address structural issues. The Committee specifically manages expanded PPII assistance with Provinces, Districts and LLGs, better co-ordination and monitoring of national programs to the provinces, review of intergovernmental financing arrangements and review of OLPPLLG,<sup>39</sup> a potentially important strategic role which has not always been realised. For example, the Steering Committee could have had greater input in managing this Mid Term Review.

It is of some concern that the Steering Committee has not met regularly due to a lack of quorum in 2008 when only 1 of 2 planned meetings was held. Given that transaction costs for Senior Management can be high and to minimise time and costs, some thought should be given to running two scheduled PLLSMA meetings back to back with the two planned PPII Steering Committee meetings. One meeting could inform the other, given that some of the membership is the same for both committees enabling business to be transacted more expeditiously.

The PPII Steering Committee should be renamed the SNS Steering Committee thus providing for a joint management process that supports the work of PLLSMA, PPII, NEFC, NRI, Special Case Provinces and Bougainville.

SNS has aligned itself behind government policy and decision making and has been sufficiently flexible to support any new developments. The proposed SDMM will provide a further challenge to SNS's adaptability if asked to partner with government on this new initiative. To further align with government systems and strengthen sustainability, consideration should be given to making the SNS Steering Committee a Sub-Committee of PLLSMA.

The National Co-ordination Office for Bougainville Affairs (NCOBA) is the responsible agency that provides strategic oversight for the national government on Bougainville. Similar capacity development for NCOBA to that provided to DPLGA, may provide an opportunity for supporting national machinery that is dealing with a political process for a

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<sup>39</sup> Australia Government Key Areas of Difference Between the Pilot and New Design, Annex 3. Papua New Guinea Sub-National Strategy 2007 – 2011 Draft Design Document August 2006.

new form of sub-national government<sup>40</sup>. Otherwise NCOBA's role will be confined to being a member of, and being supported through the Governance and Implementation Fund (GIF). DPLGA support and co-ordination with Bougainville was welcomed as the executing agency for implementing SNS and PPII.

**Sustainability** – Sustainability is linked to coherence in government systems as without coherence sustainability is hard to achieve. Constant reforms in different parts of the government system can pose additional difficulties and challenges for coherence in the delivery of basic services and PNG has been subjected to many reforms in public service delivery. One indicator or sign post of working toward sustainability is the institutionalisation of a process, system, committee or organisation.

- PLLSMA has achieved this as a Monitoring Authority although it is still developing some parts of this process as a co-ordination mechanism.
- It remains to be seen whether the gains in administrative capacity at the provincial level through PPII support can be sustained. The proposal to align PPII (SNS) Steering Committee as a subcommittee of PLLSMA will further strengthen management within GoPNG systems.
- The revised Intergovernmental Financial Arrangements are set in legislation which aids institutionalisation but it is too early to see if the reforms can be sustained.
- Firm leadership by DNPM in partnership with PLLSMA through DPLGA on donor co-ordination can further harmonise and align SNS “the Strategy” and SNS the program ensuring use of government systems and processes, as well as ensure co-ordination with other donor strategies and programs.

There is no doubt about ownership that has built on confidence and trust, as another indicator of sustainability. The MTR heard from many stakeholders about the relevance and appropriateness of PPII and SNS as beneficiaries of the program largely because it built up capacity in individuals and organisations and empowered them to take responsibility and action.

The commitment to working through GoPNG systems should not be at the expense of working through or linking with credible and legitimate non-governmental institutions that constitute a critical element of the local governance architecture. In this respect, it may be appropriate to broaden the notion of GoPNG systems to embrace non-governmental institutions and systems too.

### 3.2.3 Recommendations

- The Expanded PPII Steering Committee should be renamed the SNS Steering Committee covering all the components or work areas of SNS.
- To strengthen GoPNG ownership and initiate a transition to sustainability, the PPII Steering Committee should become a sub-committee of PLLSMA. This would better position SNS at a strategic coordination level for decentralised service delivery and allow the SNS program to be ultimately implemented as PLLSMA.
- To encourage greater cross-government commitment and ownership of SNS, stronger links should be forged with CACC in the way of reports on the SNS by the proposed SNS Steering Committee and by PLLSMA.

<sup>40</sup> The Review of the Governance and Implementation Fund conducted in late 2008 expressed similar sentiments when it recommended that “support to NCOBA be provided through SNS based on NCOBA’s evolving mandate as reflected in NCOBA’s corporate plan.



- SNS support for AR Bougainville should be guided through NCOBA with appropriate CD support in the same way that support to PPII provinces is guided through DPLGA.

### 3.3 Co-location

#### 3.3.1 Introduction

Co-location places AusAID officers alongside the people and systems that specific aid programs aim to assist. SNS has twelve co-located positions, two in DPLGA eight with provincial administrations (East New Britain, Milne Bay, Eastern Highlands, and Central Province) and two with the Autonomous Bougainville Government (ABG)<sup>41</sup>.

The primary roles of the co-located officers are the following, moving to a greater focus on areas 4-6 over the life of SNS<sup>42</sup>:

1. Supporting the Provincial Management Team (PMT) of each Province in the strengthening and review of their administrative processes and in developing a reform agenda for more effective service delivery;
2. Acting as a liaison through which PMTs can more easily access technical advisory resources that they need to assist them with their respective reform processes;
3. Assisting in overseeing the implementation of the SNS and PPII and the performance of the contractor and technical advisors in the Province, ensuring that these are indeed responsive to the needs and priorities of the PMT;
4. Acting as focal points within each Province on behalf of AusAID, to provide AusAID with an ongoing needs analysis of Provincial, District and LLG requirements;
5. Assisting in maintaining a focus on key cross cutting areas within the sub-national level of the AusAID program including gender and HIV/AIDS;
6. Helping coordinate linkage between various AusAID supported programs within the Province and the PMT, so that these programs fit within the coordinated development process of the Province.

It should be noted that co-location is not available to all provinces, and is not offered as part of the package of support for capacity development. Deployment of co-located officers is at the discretion of AusAID in consultation with DPLGA and through them, provinces.

#### 3.3.2 Key findings and observations

**Support for the provinces** – Co-located officers contribute to the improvement of administration services by supporting Provincial efforts to implement the PPII. Their precise contribution is difficult to measure, however, since they are not formally advisors, but rather co-managers guiding overall implementation alongside senior provincial management.

DPLGA values co-located officers because they support PPII implementation and provide ‘our eyes and ears on the ground’. NEFC also considered the co-located officers to be an important mechanism for engaging with the Provinces – for example using them to roll-out the unit costing tool.

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<sup>41</sup> Mid Term Review of SNS Position Paper - Co-location Approach.

<sup>42</sup> Australian Government Papua New Guinea Sub-National Strategy 2007-2011 Draft Design Document, (AusAID, August 2006)

Provinces commented that the officers effectively respond to their needs and for arranging TA. Corporate Services Division, Planning Units, Provincial Aids Committees and Provincial Management Teams benefited from the involvement of co-located officers. However, some individuals and managers were less convinced of their value. This seems to be as a result of uncertainty about their roles and responsibilities. Such uncertainty means effective utilisation of the position is dependent on strong management by the Provincial Administrator and flexibility and political nous on the part of the co-located officer<sup>43</sup>.

The broad scope of the TOR for co-located officers also requires a sound knowledge of GoPNG and AusAID as well as access to information on Government/AusAID programs. Uncertainty about the role of co-located officers and perceptions of some PMT members that these officers are advisors has caused confusion, and led to some concern that they lack the competencies required to be public administration advisors. These perceptions would be addressed by clear communication of the roles and responsibilities of the officers.

A positive outcome of co-location has been better co-ordination of AusAID and other donor visits to provinces albeit time consuming for co-located officers.

As a relationship based approach, co-located officers do need time to build the trust of Provincial staff. How long this will take will in part depend on the personal attributes and experience of the officers involved. It will also depend on there being a clear understanding by all of their roles, responsibilities and expected outputs. (It is noted that few co-located officers have been in place for more than one year). Given the cost and difficulties in finding the right AusAID staff to be posted in the provinces, AusAID will need to carefully consider how it manages its human resources to ensure continuity of the relationship with Provinces. Further discussion with Provinces is needed to consider how the role of the co-located officers will need to transition and eventually exit as the needs change across the different phases of PPII. For those Provinces where AusAID will be unable to provide officers, expectations will need to be managed and alternative models of engagement be explored.

**The fine line** – The line between the co-located officer's AusAID role and Provincial Administration role was also a source of confusion. Several co-located officers complained about being overwhelmed by requests/demands from AusAID, including logistical support for visiting AusAID delegations. One officer was recalled to Port Moresby just as the PMT was due to discuss its work plan. At the other end of the scale, other officers appeared to have become completely occupied by meeting the needs/desires of the Provincial Administration and had lost sight of their AusAID role. This push-pull relationship makes the work of the co-located officer difficult, with a dual network of management and reporting lines. Clarification of the co-located officer's role and reporting relationships, as well as the common understanding of the role through induction and training, is crucial for the ongoing success of the program. Given two officers are posted together a separation of the roles may also be an option in the future.

**AusAID coordination and coherence**<sup>44</sup> – AusAID's presence in the Provinces through co-located officers was welcomed by those stakeholders who saw the officers as a direct

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<sup>43</sup> In Milne Bay, for example, confusion was expressed by some managers over the role of co-located officers. The transition from Phase I to Phase II was still taking place and the opportunity to establish working relationships with some divisions was deferred due to competing demands and reprioritisation of activities by co-located officers.

<sup>44</sup> See also section 2.3. on AusAID program coherence

link to AusAID, including NGOs and the private sector. This appreciation was related to the potential improved access to AusAID rather than any comment on SNS. In fact there was limited knowledge or understanding of the SNS program outside the Administration.

Although the design suggests that focus on ToR 4-6 will increase over time, there is some evidence, as reported in section 2.3., that co-located officers have already contributed to AusAID's knowledge and understanding of decentralisation, and the challenges faced by provincial governments, including increased contribution to designs, and presentations to AusAID.

The coherence of the program remains the untapped potential of the co-located officers, who have little time to engage with the sectors and limited understanding of sector programs. Furthermore, in the absence of a clear mandate to guide AusAID's sub-national engagement, it is difficult for co-located to do more at this stage than promote information sharing between sector programs.

The co-located officers met by the team were hard-working, enthusiastic, bright and committed. They are to be commended for their efforts to support SNS, despite working in a fairly difficult environment in isolation from other AusAID support.

### 3.3.3 Recommendations

- All co-located officers and advisors need a TOR customised to their position with clear roles, responsibilities, reporting relationships and a performance framework as well as a common code of conduct and principles for engagement.
- The Making a Difference Course should be provided to all co-located officers and relevant provincial administration officers, ideally concurrently with TA, to improve the effectiveness of their development relationship.
- A transition strategy for co-located officers needs to be developed, linked to an assessment of the evolving needs of the AusAID programs and the provinces participating in those programs.
- Consideration should be given to separating the ToR 1-3 and 4-6, perhaps between the two co-located officers to ensure immediate support is available to the sector programs.
- Alternative models for assistance could be further explored, such as reducing the number of co-located officers, utilising locally engaged staff more, or shifting to alternative models of assistance such as recruiting experienced former PNG public servants.

## 3.4 Technical assistance

### 3.4.1 Introduction

Technical Assistance personnel (TA) have been used extensively by SNS as a key instrument for capacity development. As reported earlier, TA has been deployed to DPLGA and NEFC as well as to provinces participating in PPII. As quantified in Chart 7, TA has been deployed in three ways:

- On a **full time basis** working with provincial administrations and national agencies.
- As **Roving** advisors working from DPLGA and supporting provinces on a fly-in, fly-out basis, usually for a week at a time.
- As a **Shared resource** working for one or more provinces on a part-time basis.

### Chart 7 : Summary of approximate TA deployed by SNS

	DPLGA - general	DPLGA PLLSMA support	NEFC	PPII Provinces	Southern Highlands	Bougainville	Cross Program	Total
Long-term residential	2	4*	5	10	1	7	2	31
Short-term/ Roving	2	-	1	9	-	-	1	13
% Women	75% (3)	25% (1)	0%	26% (5)	100% (1)	0%	66% (2)	27% (12)
% PNG Professionals	0%	25% (1)	0%	79% (15)	100% (1)	14% (1)	66% (2)	45% (20)

\* The Function Assignment adviser for PLLSMA also shared with NEFC

TA personnel are deployed to help strengthen individual, organisational and system capacity as part of broader intervention strategies for capacity development. Typically, in a PPII province, one full-time TA is deployed as a Corporate Plan Implementation advisor, with a series of short-term or roving advisors deployed periodically to support provinces to implement the key result areas, such as planning, finance and budget management and human resources management. In some instances, a full-time advisor is deployed instead of short term advisors where this is considered more appropriate<sup>45</sup>. Where there is co-located AusAID staff, then a Corporate Plan implementation advisor is not normally deployed.

### 3.4.2 Key findings and observations

TA provided through SNS has generally been well appreciated by GoPNG stakeholders and is seen as having contributed to the development of both individual competencies as well as functional/organizational capabilities. TA is regarded as being of high quality, and relevant to addressing identified needs. What is particularly appreciated is the flexible way in which TA can be deployed, and the fact that GoPNG stakeholders are actively involved in the recruitment process and in management decisions (see also section 3.5). For example the 7 TA supporting the ABG were recruited and inducted through processes designed and controlled by ABG. This has helped ensure a high degree of ownership for the TA provided.

The high level of TA deployment, however, raises questions about affordability, ownership of the change process as well as possible dependency. The question has also been raised whether TA is necessarily the best way to address capacity development needs, and whether alternatives to TA could be more widely used. In so far as TA is deemed appropriate, questions arise how far it is being used optimally from an efficiency and effectiveness point of view. Related issues concern the appropriate use of national as opposed to international TA and the need to induct counterpart staff particularly divisional managers<sup>46</sup>.

**Use of national TA** – PPII has made extensive use of national expertise, with nationals representing 79% of total TA deployed in the program, as compared to an average of 20%

<sup>45</sup> A case in point being ENB, where a full-time HR advisor has recently been deployed.

<sup>46</sup> These questions and concerns are by no mean unique to SNS and have been raised in the context of independent reviews of other AusAID programs in PNG over the last two years eg: IMRG Report (Health), November 2007; Improving the Provision of Basic Education Services for the Poor (Education), February 2009; Counterpart Study, July 2008; Independent Evaluation of Australian Aid to Health Services in PNG, September 2008;) and elsewhere. Moreover, the discussion of TA effectiveness is not limited to AusAID, is a major theme in the aid effectiveness agenda, as reflected in the Paris Declaration and Accra Agenda for Action.

across the remainder of SNS (see Chart 7). Recruitment of nationals has been a deliberate choice supported by both GoPNG and AusAID. Recruitment of national TA is valued in terms of their:

- awareness of and sensitivity to underlying cultural practices and norms, as well as linguistic affinity and social networks;
- familiarity with the GoPNG public sector context, administrative systems and organisational dynamics;
- contribution to development of their own country; and
- perceived value for money related to lower overall cost<sup>47</sup>.

There is concern, however, that the widespread recruitment of local experts from the public sector risks hollowing out the very organisations that are the target of capacity development support. A counterargument is that while this may constitute a risk, the loss of expertise from the public sector is likely to happen anyway due to low salaries, and that at least this way, knowledge and expertise is retained within the public sector realm. It is believed that the opportunities afforded to nationals to develop as professionals through programmes such as SNS will benefit the country in the future when such individuals assume responsibilities as change agents.

**Gender** - The ISP has emphasised gender equality expertise in the recruitment process for TA and a number of highly skilled and experienced women have now been placed at the national and provincial level. However 78% of SNS advisors are male, and gender balance remains an issue (see Chart 7). There was also some suggestion from several interviewees that some SNS advisers lacked gender equality expertise and should in fact receive capacity building assistance before commencing their advisory roles.

**Role of TA, patterns of deployment and exit strategy** – The main role of TA within the SNS program has been to facilitate individual learning and organisational change. As a matter of principle, TA should avoid performing a gap-filling role, and instead facilitate implementation of a package of capacity development activities. However, in some situations, where there is a need for highly specialised inputs, TA has performed a more hands-on or substitution role. This has been the case in NEFC (see box 6 below) and also in PLLSMA. Here, however, care needs to be taken to distinguish between the specialised and one-off tasks that TA may be asked to perform and the more routine tasks and functions associated with the organisation’s mandate, which should be performed by local staff.

Even where the purpose of TA deployment is to build capacity, TA can easily be drawn into more operational work. This has happened in a number of cases, particularly to long term residential TA, deployed to Provinces who are often treated as part of the Provincial Management Team<sup>48</sup>. This need not be a concern unless it begins to create a condition of substitution and dependence.

There are a number of practical actions that can be taken to help ensure effective use of TA personnel in general:

- Organise induction courses for both TA and counterpart staff and managers. This can be done by using courses such as “Making a Difference” to help address issues of

<sup>47</sup> However, the average PNG TA in SNS costs 61% of international TA – this is much higher than in most other APEC countries

<sup>48</sup> A Corporate Plan Adviser in one province noted that he had been forced to start implementing reforms himself rather than facilitating others, due in part to his shift from working part time to working full time, but it was also due in part to low levels of motivation among staff as they awaited the outcome of the restructuring process. A similar situation was noted in another province where TA has ended up doing some of the work of the planning staff.

expectations, roles and accountabilities. Induction could also focus on how to use TA in a sustainable way.

- Provide new TA with briefing on a range of decentralization issues, awareness and understanding of organic law and public administration as part of their induction and in-service training. This could be linked to training in change management/ process facilitation techniques and approaches. This has been recognised to be a priority, given that many TA do not have this skill set.
- Develop a set of key principles for engagement would help ensure a consistent approach to the way TA engages with counterpart organisations. This should address both issues to do with process - how to engage effectively in a change process - as well as issues of a substantive nature – such as agreement on the kind of planning and budgeting methodologies/ guidelines to observe. In this regard, a concern was raised that advisers are sometimes working at cross-purposes which can lead to serious confusion for counterparts.
- Ensure that TORs for individual advisors clearly spell out roles and responsibilities to help avoid later misunderstandings and possible misuse of advisors time. TORs should be developed jointly by the agency receiving the TA and the agency supplying the TA. Feedback from administrations suggests ownership is further enhanced when the budgets for TA are made transparent. The setting of bench-marks linked to capacity development outcomes can also be used to progressively reduce reliance on TA.
- Consider carefully the relative merit of deploying full-time or part-time advisors. Judgements on this issue should take account of the organisational context, as well as the nature of the CD task. For PPII, in more generic areas such as Planning, Financial Management (including Budgeting), HR, IT, etc, roving or shared TA should be promoted so that good practices from one province can be replicated, where problems or issues are similar, common strategies could be developed to address them.

#### **Box 6: Effective use of TA in the NEFC**

TA deployed to the NEFC have taken on a primarily gap-filling or substitution role. Their principal responsibility has been to assist NEFC implement its core mandate, as well as to design the new inter-governmental financial arrangements. Developing the capacity of staff and organisation has remained a secondary objective. Although this approach may be at odds with general principles of CD good practice, it can be justified. First, the outputs generated by TA have contributed enormously to broader policy change and to creating conditions which have facilitated implementation of the Organic Law. This constitutes a contribution to system level capacity development. Second, the quality of work produced by NEFC is widely acknowledged and has helped generate legitimacy in an organisation that previously had been moribund. Third, the intimate involvement of TA in the day to day operations of the NEFC, including working side by side with counterparts has influenced management practices while contributing to technical know-how of staff.

The challenge now is to sustain these gains, and to build on the legitimacy and reputation that NEFC now enjoys. This will require developing a CD strategy for the organisation that does not depend on TA and that considers issues of sustainable financing, as well as the development of core competencies over the medium to long term to perform mandated functions.

**Thinking Beyond TA** – Is the deployment of TA always the best approach for addressing capacity challenges? Often, as in the case of SNS, TA tends to be used as a default response. The general view within the program is that whereas TA has and will continue to play a significant role, greater effort needs to be made to find alternative ways to support capacity development.

There are many ways to address capacity development other than TA. A starting point is understanding the nature of a particular capacity challenge – is it primarily an issue of

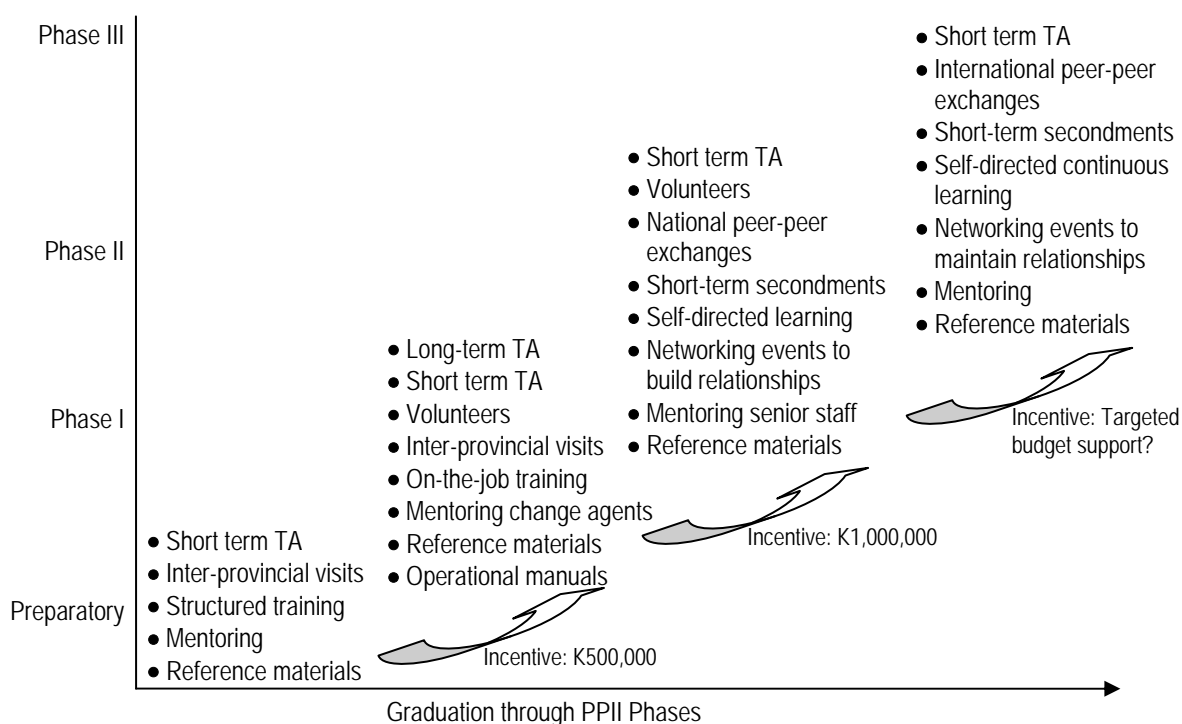
skills development, an issue of organizational leadership or of systems development, or a broader issue of policy and legislation? It may well be a mix of all of the above. It is also important to recognize that the nature of the challenge may change over time so that what may be a significant challenge at the start may be less so later on. It is equally important to understand what the constraints are to addressing the capacity challenge by stakeholders themselves – is it a lack of resources, a lack of know-how or availability of staff, or a lack of confidence and leadership?

Asking such questions can help determine the kind of external support that might be needed. It can help decide:

- If TA is needed at all, and if so, what type and for how long, and to perform what role?
- If TA is not needed, or if it is only suited to address part of the challenge, what other forms of support may be appropriate?

Greater use should be made of less expensive, more sustainable and potentially more effective modalities (eg volunteers, peer exchanges<sup>49</sup>, secondments and placements<sup>50</sup>, or mentoring). Training can be a useful tool for capacity development when done in conjunction with and linked to system or process improvements, or team motivation building. In PPII, exploring such options is especially important as provinces graduate to Phase II and then Phase III. In this regard, thinking about different packages of support for different phases of the PPII could be helpful, as illustrated in Chart 8.

**Chart 8 : Example of evolving menu of support through PPII phases.**



There are also other ways to address systemic and long term capacity challenges in provincial and district administration. These include providing support to institutions offering pre-service training for public servants, exploring ways to attract and retain

<sup>49</sup> The most effective agents of behaviour change are peer pressure and peer example. This applies to organizations as well. There exists a wide range of capacities among the provinces and thus big opportunities for them to learn from each other.

<sup>50</sup> Including cadetships

qualified personnel in the public service at sub-national levels, or supporting GoPNG to carry out long-term workforce planning.

Diagnosing needs and determining appropriate responses needs to involve both the organization whose capacity requires attention as well as the supplier of any assistance. What does this mean in the SNS context? First, as far as support to PPII provinces is concerned, it means ensuring that DPLGA has the capability to carry out capacity diagnoses, through Corporate Planning support and discussions during monitoring visits, and to mobilize appropriate support. It is equally important that provinces themselves develop the capability to manage their own change process. Second, as far as SNS support to GoPNG institutions is concerned, it means ensuring that AusAID together with the ISP are equipped to determine the capacity challenges facing individual GoPNG institutions and to develop appropriate CD support strategies.

### 3.4.3 Recommendations

- PPII Steering Committee needs to develop a broader range of instruments to support its capacity development work, so as to reduce reliance on TA. While TA will remain important, opportunities for using other instruments needs to be considered, particularly as provinces graduate through stages of PPII. The contract should enable the ISP to operate efficiently through different capacity development modalities, not predominantly TA.
- Specific attention should be given to guiding DPLGA and provinces in undertaking capacity assessments and determining the use of different instruments.
- SNS should work with DPM, DPLGA and PSRMU to identify longer term structural constraints to the recruitment and retention of experienced professionals in sub-national government.
- SNS should immediately work with PSWDP on how to maximise their approaches to capacity development for staff at sub-national level.
- SNS should invest more thoroughly in the preparation of TA to ensure their focus is on capacity development. This should include arrangement of joint induction courses, and orientation/training in process facilitation/ change management.

## 3.5 Management – AusAID and the ISP

### 3.5.1 Introduction

The implementing service provider (ISP) model uses a contractor to support AusAID in the delivery of a program through input scheduling, recruitment and performance management of technical assistance. The ISP contractor does not lead PPII or the strategic direction of SNS. Rather it provides logistic, administrative and procurement support to advisors engaged to develop GoPNG capacity to lead in areas agreed between GoPNG and AusAID. In this way the ISP model encourages AusAID to strengthen bilateral relationships and build in-house intellectual property that will inform future activities.

### 3.5.2 Key findings and observations

**The ISP model: roles for AusAID and contractors** – The ISP contractor told the MTR that it wanted to take a more proactive role in SNS delivery but was constrained by the contracted scope of services. The scope of services are open to interpretation but include program planning, information development and dissemination and performance management and assessment – all of which provide opportunities for proactive advice to



AusAID and the PPII Steering Committee of options and issues for delivering SNS. The design clearly states that SNS will be managed by AusAID, and this is reinforced in the contracted scope of services, which state: “*the Contractor is not to lead the service improvement program, but will provide support through provision of technical assistance or the procurement of goods and services....*” Given the nature of SNS and the importance of bilateral policy dialogue to influence sustainable achievement of the goal, it is important that AusAID retain its management role and assert its position, roles and responsibilities in this respect. This does not require increased resources in AusAID, rather it requires a clear definition of roles and responsibilities for key SNS stakeholders, including DPLGA, provincial management teams, AusAID and the ISP contractor.

**People management** – The ISP for SNS has provided sound administrative support to people management. In particular its recruitment activities have been effective with the 39 advisers contracted at March 2009 having reasonable gender balance and local engagement (see Chart 7, previous section). The diverse sourcing of international advisers, made possible by the untied Australian aid program, ensures that GoPNG has good quality advisers, no matter what their nationality is – the ISP has done particularly well in sourcing quality professionals globally. However, with respect to PPII, the reporting relationships and accountabilities of the ISP, the advisers and AusAID staff are confused by the mix of sub-contractors and 16 AusAID staff, as well as by the co-location of AusAID officers in provincial administrations. This results in co-located officers and TA having multiple reporting relationships and confused roles and responsibilities. For example, a co-located officer in a province is supposed to work with the Provincial Administrator and de facto be an advisor to that person; produce regular reports to AusAID and participate in AusAID corporate activities and provide the ISP with performance information and local logistics support for SNS activities (mainly for PPII). As suggested in section 3.4. this confusion could be addressed with principles for engagement and TOR customised to each person with clear roles, responsibilities and accountabilities that link to a performance framework agreed by GoPNG and AusAID.

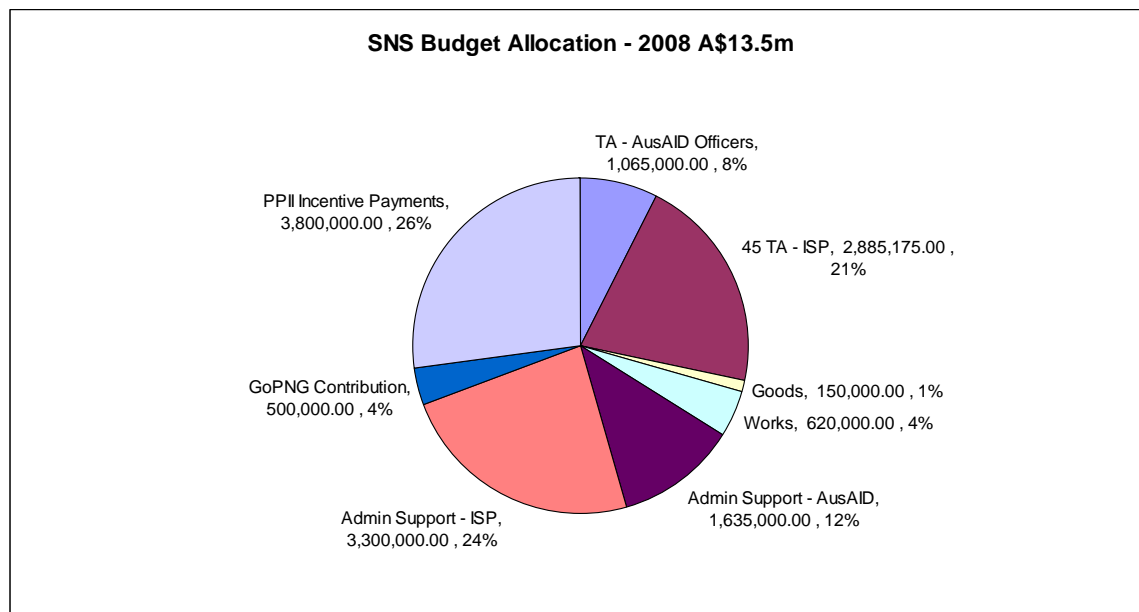
**Contractual management** – SNS is an organic program that requires flexible execution. The ISP contractor has demonstrated flexibility as PPII implementation has proceeded more quickly than they had anticipated. AusAID has supported the contractual implications of the faster adoption with variations and strategic direction, but this process is slow and impacted by frequent turnover in secretary and program director positions. For example, in the 5-year life of SNI and SNS there have been 4 program directors and each has brought their own perspective to how SNS should be delivered and the role of the ISP in that.

**The identity of SNS actors** – Communication of information and feedback on PPII performance needs to come through DPLGA rather than AusAID or the ISP. Many provincial stakeholders remain confused about what SNS is, its relationship to PPII and the roles and responsibilities of co-located officers, advisers and other AusAID teams visiting provinces. There is a need for clear communication to provincial management teams about the SNS and PPII. This should come from DPLGA using communication materials prepared by the PPII Steering Committee with support from the ISP. In addition, consistent with standard AusAID contract terms, the ISP should be asked to re-badge all SNS activities and advisers so that they are clearly seen as part of SNS and the Australian aid program rather than Coffey International Development.

**Capacity development modalities and perverse contractual incentives** - Capacity development under SNS uses a range of strategies, but the use of TA remains the

dominant approach as discussed in the last section. This is driven by convenience, history and what is most appropriate for the context. However, it is also driven by the nature of the ISP contract, which encourages deployment of new TA rather than exploration of other capacity development mechanisms. Chart 9 shows the dominance of TA and related ISP costs in the 2008 SNS budget allocation. The ISP has requested AusAID for a contract variation to increase the cap on the number of TA from the current 50 to 80. And yet, as suggested in the last section, there are other ways to deliver capacity development that are more consistent with the nature and goal of SNS as a whole.

**Chart 9 - Allocation of A\$13.5m SNS Budget 2008**



Source: Data from AusAID Port Moresby

For example, the ISP response to a DGPLA and AusAID observation that HIV/AIDS is poorly addressed in corporate plans and poorly understood by provincial administrations is to deploy an HIV/AIDS advisor. An alternative approach would have been to collaborate across the AusAID Program and GoPNG institutions through existing HIV/AIDS programs – including PASHIP, the Capacity Building Service Centre and Church Partnerships Program – as well as engaging Provincial AIDS Committees through the Provincial Health Division and any co-located development advisors. A more innovative approach would be less costly and more cohesive.

The PPII Steering Committee needs to work with AusAID to develop and implement a more innovative and cohesive approach to capacity development that relies less on TA and more on existing support available through GoPNG systems and other AusAID programs. This more innovative and cohesive approach could also include the way TA is managed. Capacity development approaches in other programs increasingly include direct management and ownership of the TA personnel by the counterpart agency. For PPII the personnel are still largely directed by and held accountable to the ISP, although DPLGA reviews and approves their attachments through the PPII Secretariat. In practice some advisors chose to work directly with their counterparts, others chose to see themselves responsible to the ISP or even to SNS. It may be timely to explore the attachment of advisors for the future of SNS especially in Provincial Administrations, and how this might be developed so that ownership and management of this considerable resource is more directly handed over to GoPNG control.

**AusAID management** – SNS requires a consistent AusAID engagement with GoPNG and long-term relationships with GoPNG leaders in DNPM, DPLGA and provincial administrations. Effective contract management by AusAID also needs a consistent understanding of the context and nature of SNS as it evolves. The perceived disconnect between what SNS demands from the ISP to support program delivery and the ISP contract creates a tension between AusAID and ISP. Much of the tension could be addressed by changing AusAID career paths and organisation to include country specialists with a long-term career focus on a country and sector – so that relationships developed are maintained and nurtured in the medium term. To enable this change, and support human resource retention and sustainability, there is an opportunity for AusAID to increase the number of PNG professionals promoted to Development Specialist, second secretary and first secretary within the AusAID team.

### 3.5.3 Recommendations

- AusAID and GoPNG should reassert their management role with a clear definition of roles and responsibilities for key SNS stakeholders, including DPLGA, provincial management teams, AusAID and the ISP contractor.
- There is a need for clear communication to Provincial Management Teams about the purpose and activities of SNS and PPII. This should come from DPLGA using communication materials prepared by the PPII Steering Committee.
- Consistent with standard AusAID contract terms, the ISP should be asked to re-badge all SNS activities and advisors so that they are clearly seen as part of SNS and the Australian aid program rather than Coffey International Development.
- To better support long-term policy dialogue and effective contract management, structure AusAID career paths to include country specialists with a long-term career focus on a country and thereby enable PNG professionals to be promoted to Development Specialist, second secretary and first secretary within the AusAID team as part of a wider staff retention and sustainability strategy.
- SNS is encouraged to consider what additional steps can be taken towards using more of GoPNG Systems in the area of TA management.

## 3.6 Monitoring and evaluation

### 3.6.1 Background

The SNS currently employs a monitoring process focused on selected outcomes and processes. The document that integrates these is a Monitoring and Evaluation Framework (MEF) for SNS, which was prepared in February 2008 and aims to cover the three work areas of the strategy. The MEF uses lessons learned from other AusAID programs to inform a methodology built around a series of research questions and proposed data collection tools that include GoPNG systems. The MEF is used to structure quarterly reports, prepared by a short-term advisor in partnership with SNS advisors and GoPNG agencies, particularly DPLGA, NEFC and NRI. A Monitoring and Evaluation (M&E) Adviser is being recruited by SNS and a team of Information Technology Advisers is being engaged by DPLGA to support development of the monitoring system. In addition to cross-cutting issues such as gender and HIV/AIDS, the quarterly reports focus on changes relating to five key questions about outcome and process:

- Is there an improvement in public administration at sub-national level?

- Is DPLGA, as the key Government of PNG agency responsible for PPII, progressing in its own development and key work areas in a way which facilitates the overall objectives of PPII?
- Is there an improvement in the coordination of National agencies at sub-national level?
- How is improved public administration contributing to improved service delivery?
- How are the various work areas supported by SNS contributing to improved public administration?

### 3.6.2 Key Findings and Observations

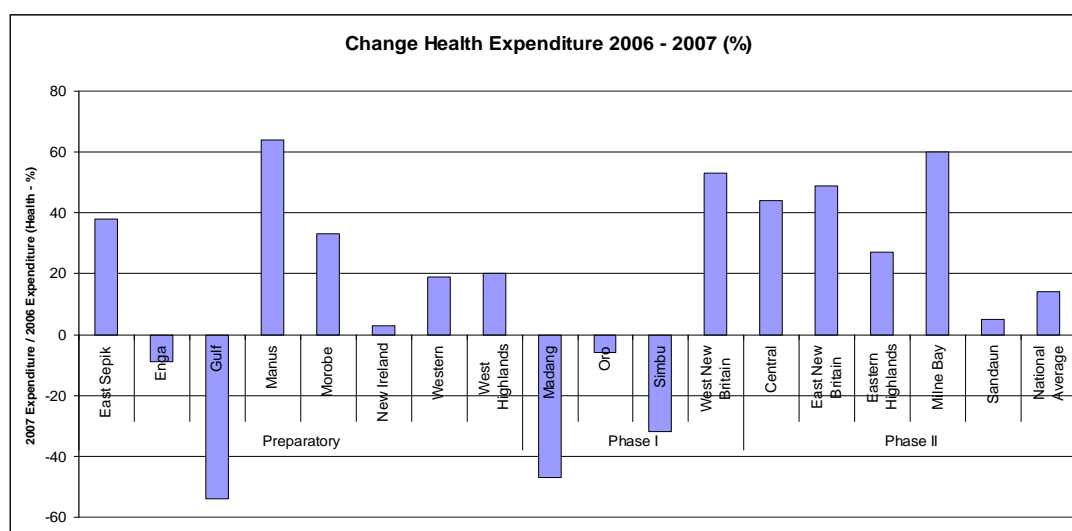
**Quarterly reports and quantitative data** - There is not a formal monitoring and evaluation system for SNS – quarterly reports use meta-analysis of existing GoPNG data and focus on the first two SNS work areas. No indicators are used to formally monitor performance of the third work area by SNS, although a rapid appraisal evaluation was conducted in 2009 to inform the mid-term review. Five quarterly reports have been produced under the MEF. All are presented to the ISP and AusAID with copies to GoPNG. Each report is relatively long, presenting mostly qualitative information in words, sometimes with quantitative examples, especially from NEFC<sup>51</sup>. The reports separately present information for each province, which is appropriate given the nature of PPII and the reality of inter-provincial variation in PNG. None of the quarterly reports contains quantitative analysis – charts, tables or time-series of monitoring data to illustrate trends or variance from plan. One reason for this is that quantitative data of service delivery and public sector reform is difficult to obtain in PNG. Another is that GoPNG systems for data collection, such as PLLSMA (including s119 reporting) and PCMC, are evolving and have not yet matured into a reliable source of verifiable and quantitative data.

However, there are verifiable and quantitative data from NEFC, disaggregated by sector and province, which could support monitoring of leading (eg expenditure on service delivery) and lagging indicators (eg changes in health or education outcomes) of progress towards the SNS goal. An example of what is possible, using existing data analysed by the MTR team, is presented in Chart 10. Analysis of this sort of data for each province could contribute to learning and support evidence-based policy, planning and budgeting by provincial administrations. Equally, working with DPLGA-PMD to analyse and report quantitative data from PLLSMA – both s114 and s119 reports – would build capacity through on-the-job learning and reinforce the usefulness and validity of the work that PMD is doing. Particular themes could be agreed each quarter with PMD so that the SNS advisors and DPLGA staff could work together to prepare analysis for the next quarterly report, and follow that up with field verification and *ad hoc* evaluations in selected provinces to prepare case studies that complement the quantitative analysis.

#### Chart 10 : Example of quantitative monitoring of SNS performance

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<sup>51</sup> For example, the November 2008 report had an education focus that reported quantitative data from the PNG Department of Education Primary School Database Quarterly Report of June 2008.



Source: NEFC (2008) Review of Provincial Revenues 2004-2007. National Economic and Fiscal Commission, Port Moresby. pp62-63.

Several GoPNG stakeholders remarked that PNG cultures are aural and visual, rather than written. As the examples from NEFC show, communication of results and monitoring information is enhanced with use of charts showing trends over time and diagrams showing allocation of resources and delivery of services. Recently, NEFC has gained quite a bit of attention through its specially commissioned DVDs.

**Monitoring and evaluating progress towards the SNS goal** - The current MEF emphasises public administration activities and outputs – consistent with the PPII and early work program of SNS. This is a relevant focus for monitoring that should be retained so long as more quantitative indicators are measured and reported from s119 and other GoPNG sources. However, as the capacity of GoPNG and participating provinces increases and the number of provinces in PPII grows, there is a need to review the MEF to better serve the evolving context in which SNS is implemented and to monitor progress towards the SNS service delivery goal. The change model underlying SNS assumes that as capacity is developed and public administration is strengthened, improved service delivery should follow. It would be appropriate for semi-annual monitoring reports to include quantitative, time-series service delivery data to show progress over time towards national targets.

**Monitoring and evaluating capacity development and change processes** - The MEF should be integral to the wider capacity development process. Current questions and indicators are not designed to monitor or evaluate change processes and capacity development. There are a number of ways this could be addressed:

- Annual evaluations informed by the Kirkpatrick method<sup>52</sup> – this well-established method focuses on indicators relating to four phases of capacity development.
- Adaptation of the proposed framework for a balanced approach to monitoring and evaluating capacity and performance<sup>53</sup> - this focuses on indicators relating to five core capabilities that affect capacity and performance.
- Goal attainment scaling<sup>54</sup> – a qualitative, participatory method that can be established at the beginning of capacity development processes and used to measure stakeholder perceptions of change as the process is implemented over time.

<sup>52</sup> Kirkpatrick, D. (1998) Evaluating training programs – the four levels. Berrett-Koehler Publishers.

<sup>53</sup> Engel, P., Keijzer, N., Land, T. (2006) A balanced approach to monitoring and evaluating capacity and performance. A proposed framework. European Centre for Development Policy Management, Maastricht, the Netherlands.

<sup>54</sup> Kiresuk, T.J., Smith, A. and Cardillo, J.E. (1994) Goal attainment scaling: applications, theory and measurement. Laurence Erlbaum, USA.

**Alignment with GoPNG systems: using strengthened GoPNG institutions** - The MEF acknowledges but does not use GoPNG systems such as s114 or s119 provincial performance reports, quarterly provincial reports to Treasury and monitoring reports produced for the PLLSMA and PPII monitoring by DPLGA. The MEF and the related activities are an SNS construct and there is now sufficient capacity in DPLGA to develop a GoPNG framework to coordinate monitoring efforts by emerging PNG institutions such as PLLSMA and its sectoral sub-committees, NEFC, PCMCs and related s119 reporting and NRI. In particular, PLLSMA and its sectoral sub-committees should be engaged and supported to be the primary source of data for PPII monitoring and eventually the source of monitoring information for SNS. This will enable a learning-by-doing approach to capacity development that is focused on using data to inform policy and planning activities and reinforce the importance of PLLSMA in the GoPNG management of sub-national governance.

Working towards a GoPNG managed reporting system would increase SNS compliance with commitments under the Paris Declaration and PNG Contribution to Aid Effectiveness. It would also mark a shift towards a more sustainable and systematic approach to monitoring SNS, PPII and other donor activities at sub-national levels. If this was done well SNS could lead the way in aligning to such a GoPNG system, and encourage other donors to do the same – reducing the risks of fragmentation and confusion as increased ODA resources are channelled to provincial and district levels.

DPLGA officers monitor activities and provide reports to PLLSMA, but benefiting provinces should provide the data that informs these reports through progress reports so that DPLGA only follows up on issues either reported or identified in such reports (these reports should be done by provincial administration staff, not Advisors or Co-located Officers as they will be already doing their own reporting). In this way Provincial Administrations monitor and report on their own progress in implementing their plans including their Corporate Plans and Capacity Building Plans.

Lessons learned from the Vietnam Australia Monitoring and Evaluation Strengthening Project (VAMESP), which supported the Government of Vietnam to establish a similar national monitoring system, should be shared with DPLGA by AusAID.

As DPLGA-PMD establishes regional inspectorates to support and quality assure s119 reporting and PCMC processes, there is an opportunity for SNS to support the DPLGA officers responsible for establishing and supervising these regional inspectorates. This would strengthen the overall monitoring capacity at sub-national levels. It could also start a transition to regional, rather than provincial, support through SNS and co-located AusAID staff.

**Revision of the timing and content of monitoring reports** – The MTR found little evidence of SNS monitoring data being used to support management decisions at national, provincial or district levels. Reasons for this are that the current quarterly reports have little relevance to GoPNG stakeholders and PLLSMA and other government systems are just beginning to generate data. To encourage use of monitoring data, SNS monitoring should be rationalised to semi-annual reports that are designed to facilitate dialogue between GoPNG and AusAID as well as inform program management by the two partners. Refinement of monitoring reports is needed to address the information needs of GoPNG and AusAID in a user-friendly format that includes increasing amounts of quantitative analysis and growing focus on leading indicators of service delivery. For

example, analytical results could be presented as charts and diagrams, including gender and age disaggregated data where appropriate, which NEFC has shown to be an effective means of communicating information to politicians, senior public servants and some civil society organisations. Alignment with the timing and content of GoPNG systems is possible, with quarterly reporting by long-term advisors in line with project progress reports required by OLPGLLG, semi-annual reporting from SNS in line with DPLGA and PCMC reports to NEC, and CACC as well as annual progress reports to align with provincial reporting through s114 (Auditor General's Office) and s119 (DPLGA-PMD) reports as well as quarterly and annual budget reports. If these reforms are negotiated and agreed between GoPNG and AusAID, they should include an 18-month transition roadmap to DPLGA taking over responsibility for SNS monitoring. SNS monitoring information needs required by AusAID alone should be sourced from sector program monitoring systems wherever possible to ensure internal program learning is supported.

### **3.6.3 Recommendations relating to M&E**

- Revise the MEF to align with and further strengthen PLLSMA in addition to evolving towards more analysis and coverage of leading indicators of service delivery.
- Negotiate and agree between GoPNG and AusAID an 18-month transition roadmap to DPLGA taking over responsibility for SNS monitoring. After this time use GoPNG systems for monitoring.
- In the interim, support PLLSMA and its sectoral sub-committees to the point where they can lead the monitoring effort for SNS. This should include strengthening the capacity of PLLSMA and its sub-committees to analyse time-series and variance from plan monitoring data to better connect planning, budgeting and implementation.
- Support DPLGA Capacity Building Division to monitor capacity change in provinces as part of the PPII process. As a capacity building agency it needs to have effective systems in place to assess and monitor capacity change, for example using Kirkpatrick methodologies adapted to the PNG context.
- A GoPNG monitoring and evaluation framework for sub-national administration and service delivery should ultimately replace the MEF and include: a focus on service delivery; increased use of charts and diagrams; use of DPLGA Regional Inspectorates as a monitoring resource; more transparent monitoring of gender issues; increased analysis and feedback to inform provincial action and use of monitoring data to inform policy and management.

## 4 Comparison with international good practice

*The terms of reference ask that the review team compare SNS experiences with international good practice in donor support to decentralisation processes.*

### 4.1 Decentralisation experience in other countries

Many countries have implemented decentralisation with a view to reducing poverty and improving service delivery. Some lessons learned from this experience relevant to PNG are summarised in Annex 1. A 2004 OECD DAC-commissioned review of decentralisation in 19 countries, found that countries with a functioning central state committed to the devolution of power to local tiers of government could use decentralisation as an effective means of promoting improved representation of the poor and enhancing targeted service delivery<sup>55</sup>. The same review identified a risk of decentralisation leading to increased poverty where the central state lacks capacity to fulfil basic functions. The DAC Review found that external support to decentralisation programs broadly consisted of three types of assistance:

- creating a favourable legal and political environment;
- assistance to start implementation; and
- assistance to deepen and sustain decentralisation.

SNS is providing all three types of assistance. Chart 11 benchmarks SNS against indicators of international good practice identified from an internal AusAID review<sup>56</sup> using the AusAID quality ratings<sup>57</sup>.

International experience explored in Annex 1 and the analysis in Chart 11 suggests the current objectives and scope of SNS are appropriate, although ambitious. The goal is appropriate for a long-term strategy, but needs to recognise that service delivery is influenced by many factors, not only public administration. With the confusion between SNS “the strategy” and SNS “the program”, there is an opportunity to focus the activities and outputs of each phase of the SNS program to acknowledge the incremental steps between where PNG was in 2004 and the ultimate goal of the SNS strategy.

**Chart 11 : Benchmarking SNS against international good practice**

International good practice	SNS Performance*	Comment
Development partners must better understand the full complexity of issues in decentralisation	4	<ul style="list-style-type: none"> <li>• SNS support to NEFC has increased understanding of planning, budgeting and functional allocation issues</li> <li>• The Intergovernmental Relations (Functions and Funding) Act and current work by NEFC to support functional grant allocation for the 2010 Budget provide a foundation for good practice public administration and service delivery</li> </ul>
Partner government commitment to decentralisation is critical	4	<ul style="list-style-type: none"> <li>• GoPNG commitment through DPLGA - PPIL, PSRMU – SIP and ORD-DSIP is clear</li> </ul>
Greater alignment with partner government policies, priorities and systems is necessary	3	<ul style="list-style-type: none"> <li>• As GoPNG policies and systems evolve SNS should align with them for its internal operations</li> </ul>
It is important to build inclusive	3	<ul style="list-style-type: none"> <li>• SNS is building inclusive partnerships at</li> </ul>

<sup>55</sup> J. Jutting, C. Kauffmann, I. McDonnell, H. Osterrieder, N. Pinaud and L. Wegner, ‘Decentralisation and Poverty in Developing Countries: Exploring the Impact’, *OECD Development Centre Working Paper No. 236*, OECD, Paris, 2004, p.5

<sup>56</sup> AusAID (2009) Decentralisation and sub-national government support activities – a review of development partner evaluations. Unpublished internal review. Australian Agency for International Development. Canberra, Australia

<sup>57</sup> AusAID Quality ratings, presented at the bottom of the chart for ease of reference



partnerships across all levels of government		national and provincial levels with connections to District and LLG levels, complementing sectoral partnerships supported by other programs <ul style="list-style-type: none"> <li>Partnerships with LLG and civil society are supported by AusAID democratic governance program</li> </ul>
Focus on building capacity at both central and local levels	4	<ul style="list-style-type: none"> <li>SNS builds capacity in DPLGA and NEFC as well as in provinces and some districts</li> </ul>
Engage effectively with Civil Society	3	<ul style="list-style-type: none"> <li>The linkages between SNS and DGU are weak</li> <li>There is an opportunity to enhance coherence by strengthening linkages between SNS and DGU activities, especially SPKN</li> </ul>
Increase and improve the quality of harmonisation between development partners	3	<ul style="list-style-type: none"> <li>Donor's informal working group on capacity building at sub-national level in PNG is a good start – it should be strengthened &amp; formalised</li> </ul>
Enhance the quality of Monitoring and Evaluation	3	<ul style="list-style-type: none"> <li>DPLGA-PMD has a sound development program well supported by SNS</li> <li>As PLLSMA are related initiatives produce results SNS should align with the systems and use the results</li> </ul>
Maintain realistic expectations, flexibility and a long term view	4	<ul style="list-style-type: none"> <li>SNS is an important part of the service delivery solution, but the high expectations placed on it need to be managed</li> </ul>

\* AusAID Quality ratings:

<b>Satisfactory (4, 5 and 6, above the line)</b>	<b>Less than satisfactory (1, 2 and 3, below the line)</b>
6 Very high quality; needs ongoing management and monitoring only	3 Less than adequate quality initiative; needs work to improve in core areas
5 Good quality initiative; needs minor work to improve in some areas	2 Poor quality initiative; needs major work to improve
4 Adequate quality initiative; needs some work to improve	1 Very poor quality initiative; needs major overhaul

## 4.2 Compliance with Paris Declaration commitments

PNG and Australia made commitments under the Paris Declaration (2005) and the enabling Accra Agenda for Action (2008), which are locally enshrined in the PNG Commitment to Aid Effectiveness. Chart 12 rates the approach and implementation of SNS in light of those commitments made by PNG and Australia, using the relevant OECD DAC indicators for monitoring the Paris Declaration<sup>58</sup>.

<sup>58</sup> Indicators of progress agreed at the High Level Forum on Aid Effectiveness in Paris in March 2005. Sourced March 2009 from: [http://www.oecd.org/document/12/0,3343,en\\_21571361\\_39494699\\_39503692\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/12/0,3343,en_21571361_39494699_39503692_1_1_1_1,00.html)

**Chart 12 : Compliance of SNS implementation with Paris Declaration**

Paris Declaration Indicator <sup>†</sup>	SNS Performance*	Comment
Aid flows are aligned on national priorities	4	<ul style="list-style-type: none"> <li>SNS aligns with and supports or complements GoPNG programs such as PPII, SIP and DSIP</li> <li>SNS allocations are not yet included in national or provincial budgets</li> </ul>
Strengthen capacity by co-ordinated support	4	<ul style="list-style-type: none"> <li>SNS support is strongly aligned to PPII, which is driven by DPLGA</li> <li>There is an opportunity to review the modality of capacity development, especially in PPII Phase II and Phase III provinces</li> <li>Coherence across AusAID program needs improvement to ensure consistent approach to sub-national program delivery</li> </ul>
Use of country public financial management systems  Use of country procurement systems	3	<ul style="list-style-type: none"> <li>Limited use of PNG systems. Trust funds and parallel ISP procedures currently dominate</li> <li>As provincial administrations gain capacity and mature there are opportunities to explore alignment with public financial management and procurement systems</li> </ul>
Avoiding parallel implementation structures	3	<ul style="list-style-type: none"> <li>Some implementation done through DPLGA and provincial administrations but the management is mostly through ISP and its parallel structures</li> </ul>
Aid is more predictable	4	<ul style="list-style-type: none"> <li>AusAID commitment to PNG is confirmed through Partnership for Development</li> <li>SNS is cross-cutting issue in sectoral schedules</li> </ul>
Aid is untied	5	<ul style="list-style-type: none"> <li>Procurement of goods and services is untied</li> <li>Co-located AusAID staff are tied</li> </ul>
Use of common arrangements or procedures	3	<ul style="list-style-type: none"> <li>Emerging donor harmonisation for sub-national activities is a welcome development that needs active engagement and support</li> </ul>
Joint missions	3	<ul style="list-style-type: none"> <li>There is an opportunity for active collaboration with World Bank, NZAID, UN and EU for sub-national activities</li> </ul>
Joint country analytical work	4	<ul style="list-style-type: none"> <li>SNS support to NEFC is good practice but sustainability questions remain.</li> <li>There is an opportunity for active collaboration with World Bank and NZAID for sub-national analytical work with NEFC, especially with a focus on service delivery impacts</li> </ul>

<sup>†</sup> OECD DAC (2006) Indicators of progress agreed at the High Level Forum on Aid Effectiveness in Paris in March 2005. Sourced March 2009 from: [http://www.oecd.org/document/12/0,3343,en\\_21571361\\_39494699\\_39503692\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/12/0,3343,en_21571361_39494699_39503692_1_1_1_1,00.html)\* AusAID Quality ratings:

<b>Satisfactory (4, 5 and 6, above the line)</b> 6 Very high quality; needs ongoing management and monitoring only 5 Good quality initiative; needs minor work to improve in some areas 4 Adequate quality initiative; needs some work to improve	<b>Less than satisfactory (1, 2 and 3, below the line)</b> 3 Less than adequate quality initiative; needs work to improve in core areas 2 Poor quality initiative; needs major work to improve 1 Very poor quality initiative; needs major overhaul
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### 4.3 Recommendations

Recommendations of how the SNS approach and strategies can better meet the program goal and purpose informed by international experience are presented below.

- There is an opportunity to focus the activities and outputs of each phase of the SNS program to acknowledge the incremental steps to the ultimate goal of the SNS strategy.
- The PNG Organic Law on Provincial Governments and Local Level Governments (1995) is a critical component of sustainable and effective decentralisation of service delivery and the activities of SNS should continue to be consistent with that law.
- To avoid confusion and help public administrators at all levels understand their function there is a need for the *Determination and Assignment of Service Delivery Functions and Responsibilities* under the *Intergovernmental Relations (Functions and Funding) Act 2009* to be endorsed politically and promoted as the definitive specification of responsibilities and functions at all levels. This would enable donors to better align with GoPNG systems and deliver their support in a harmonised way.
- AusAID should continue to invest in strengthening public administration. SNS complements sector programs and support to civil society and democratic governance initiatives.

## 5 Conclusions

The review team is encouraged by the overall progress made by GoPNG, with the assistance of SNS, in advancing the decentralisation process in the country. Important achievements have been made in a relatively short period of time, and considerable momentum has developed that bodes well for the future. At this juncture, the mid-point of the current phase of SNS, the team finds that the overall rationale and approach of the program in support of GoPNG policy objectives on decentralisation is sound but that steps can be taken to further improve relevance, effectiveness and efficiency. AusAID should continue to invest in strengthening sub-national public administration as a means towards improving service delivery and accountability. SNS complements sector programs and support to civil society and democratic governance initiatives.

### Positioning SNS

The TOR asks for guidance on how SNS should best position itself with regard to a changing policy context, and to respond effectively to both PNG and Australian Government direction. The MTR chose to address this as a cross-cutting issue and has therefore responded to this TOR throughout the report. In this final section we make a number of observations.

As elsewhere, decentralisation in PNG will remain a long and complex process that will experience periods of progress followed by set backs, and times of disagreement that will eventually be replaced by consensus. While such fluctuations can cause unease and uncertainty, the fact remains that GoPNG is committed to a decentralised model of governance - indeed the Medium Term Development Strategy (MTDS) 2005 – 2010 states that “decentralisation is here to stay”.

Clearly, there are differences of opinion regarding the appropriate architecture/configuration of decentralisation, and as earlier noted, such differences are driven by political, bureaucratic and technical considerations. These are all part of the organic process of nation building, and can only be resolved through a GoPNG driven policy process.

AusAID in general and SNS in particular can play an important accompanying role supporting GoPNG stakeholders in advancing the decentralisation process. SNS is well placed to provide continuing support that can both facilitate service delivery and at the same time support a legitimate process of institutional development. Four things seem critical:

- **Maintain the flexibility of the current program** - in order to ensure its on-going relevance and responsiveness. This can be achieved by taking direction from the evolving policy process, engaging in emerging policy and operational debates and by seeking opportunities to link to other initiatives and programs. For example, Phase III of PPII, with its focus on implementation at the district level, will be particularly significant for locally elected leaders and provincial and district administrations to understand and play their roles. This is an area that SNS could give greater support to while other government initiatives like the SDMM are piloted.

- **Broaden Ownership.** We have recommended that the Expanded PPII Committee be renamed and revamped into an SNS Steering Committee and that it becomes a Sub-Committee of PLLSMA. Doing so will help mainstream SNS at a strategic co-ordination level through PLLSMA and ensure management is aligned with government processes and is firmly owned by both parties. Given PLLSMA's role in coordinating and monitoring the implementation of national policies at provincial and local levels, the proposed realignment of the SNS Steering Committee should also facilitate broader acceptance of SNS by Central Agencies.
- **Facilitate policy dialogue processes** - by supporting research and drawing on lessons from practice. Such interventions can contribute substantively to the policy discourse as illustrated by NEFC's experience with RIGFA, where the wealth of information collected provided a basis for sound policy making, analysis and advice. Further effort to promote informed consultation, policy making and advice should help advance the decentralisation process. In this regard, it could be useful for SNS (the program) to have a budget that allows GoPNG and GoA to commission research or other policy support resources to facilitate the policy dialogue between the two governments around SNS (the strategy) and also on decentralisation issues. This could be controlled by PLLSMA with support from the SNS Coordinator.
- **Adopt a consistent AusAID approach to engagement at sub-national level.** As recommended in the report, AusAID needs to reflect internally on its own strategy of engagement to ensure that sector and thematic programs respond in a consistent way to PNG's decentralising context. SNS the strategy needs to be led by AusAID as a key strategy which informs and brings synergy and coherence to other AusAID programmes at sub-national level. This should help to create stronger and clearer links among other AusAID programs such as the Public Sector workforce Development Program and the Democratic Governance Transitional Program, as well as among key sector programs such as education and health.

## Summing Up

Because of its in-built flexibility, SNS has the opportunity to adapt as the program continues to evolve, adjust to a changing policy context and learn from experience. At the same time, this program is part of a long term strategy, it is still young and far-reaching change should not be encouraged for its own sake. Indeed, many of the processes that SNS employs are now bedding in and the many stakeholders with whom it engages are becoming familiar with its approach. It would be inappropriate to recommend far-reaching change in the program that may unsettle stakeholders, unless this is really warranted. The MTR, therefore, recommends a continuation of SNS' overall trajectory and adjustments in selected areas only, as set out in the recommendations contained in the body of this report.

