

PAPUA NEW GUINEA

Sub National Strategy (SNS)



Implementing Service Provider

SNS Program Completion Report

September 2011

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Australian Government
AusAID

CONTENTS

1	General Information	1
2	Basic Activity Data	6
	Location	6
	Implementing counterpart agency and delivery organisation	7
	Key Dates	7
	Approved and Actual Cost	7
	Form of Aid	8
3	Executive Summary	9
4	Background	10
	Activity Description	12
5	Effectiveness	14
	Program Management	15
	Risk Management	17
	Procurement During the Initiative	17
	Monitoring and Management Decisions	18
	Joint Management Committee supervision of initiative	19
	Coordination with other activities	20
6	Relevance	22
7	Efficiency	26
8	ISP Scope of Services	26
	Program Planning	26
	Recruitment and Management of Technical Advisers	28
	Logistics and Administration Support	28
	Capacity Building and Training	28
	Funds Management	29
	Research, Information Gathering & Dissemination	32
	Performance Management & Assessment of Technical Advisers	32
9	Impact and Sustainability	33
	Gender	33
	Environmental Impact	34
	Lessons Learnt	36
	Obstacles to Implementation	36
	Acquittal of Program Funds	38
	Analytical Diagnosis	38
1	A comparison between PPII fly-in fly-out advisers and in-situ advisers	39
2	Lessons on providing better targeted and tailored support to provincial clients	41

CONTENTS

3	Recommendations on balancing national and sub-national stakeholder demands _____	45
4	A critical assessment of the Lead Adviser Model as a framework for adviser teams _____	47
5	An assessment of previous approaches to monitoring capacity building (including non-advisory technical assistance (NATA) and the integration of NATA and advisory technical assistance into one capacity development approach) _____	48
6	Assessment of the Role, Value and Risks of Provincial Capacity Building Plans _____	51
7	Assessment of the Role, Value and Risks of Provincial Funding Agreements _____	52
8	Advice on better approaches to articulating impact and lessons from the local level for monitoring and evaluation _____	55

Appendices

Appendix 1	Matrix of Issues and Actions
Appendix 2	SNS Reports
Appendix 3	Technical Advisers Analysis
Appendix 4	Tasking Note Summary and Analysis
Appendix 5	ISP Briefs to AusAID
Appendix 6	ISP Account Reconciliation
Appendix 7	Summary of PPII Incentive Payments for the Period of 2005 - 2011
Appendix 8	GIF Trust Funds Reconciliation
Appendix 9	Capacity Building Framework
Appendix 10	PPII 2005 Framework & 2007 Guide to Services
Appendix 11	SNS Mid-Term Recommendations
Appendix 12	Operational Lessons Learnt

ACRONYMS AND ABBREVIATIONS

ABG	Autonomous Bougainville Government
Airlines PNG	Airlines of Papua New Guinea Ltd
APNGIF	Australia Papua New Guinea Incentive Fund
ASF	Advisory Support Facility
AUD	Australia Dollar (Australia's currency)
AusAID	Australian Agency for International Development
BAHA	Business Coalition Against HIV/AIDS
B&E	Budget and Expenditure Adviser
BEC	Bougainville Executive Council
BEDP	Basic Education Development Project
CACC	Central Agency Coordination Committee
CBD	Capacity Building Division of DPLGA
CEO	Chief Executive Officer
CLRC	Constitutional Law Reform Commission
CoEs	Council of Elders (Bougainville)
CP	Central Province
CPIA	Corporate Plan Implementation Adviser
CSO	Civil Society Organisation
DER	Development Expenditure Research
DMT	District Management Team
DNPM	Department of National Planning and Monitoring
DoF	Department of Finance
DPLGA	Department of Provincial and Local Government Affairs
DPM	Department of Personnel Management
DTL	Deputy Team Leader
DWU	Divine Word University (Madang)
EHP	Eastern Highlands Province
ENB	East New Britain
EU	European Union
FBO	Faith Based Organisation
FIFO	Fly-in Fly-out Advisers
GEOBOOKS	Geographic Information System being developed at UPNG
GIF Account	Governance and Implementation Fund (Bougainville)

ACRONYMS AND ABBREVIATIONS

GoA	Government of Australia
GoPNG	Government of Papua New Guinea
GST	Goods and Services Tax
HIV	Human Immunodeficiency Virus
HQ	Head Quarters
HR	Human Resources
ICT	Information and Communication Technology
IDC	Interdepartmental Committee
IF	Incentive Fund
IFA	Incentive Fund Agreement
IGR	Inter-Government Relations
IPBS	Integrated Planning and Budgeting System
IRC	Internal Revenue Commission
IRT	Independent Review Team
ISP	Implementing Service Provider
JDP&BPC	Joint District Planning & Budget Priorities Committee
JPP&BPC	Joint Provincial Planning & Budget Priorities Committee
JSB	Joint Supervisory Body
L&PD	Legal and Policy Division of DPLGA
LES	Locally Engaged Staff
LEP	Less Experienced Professional
LGAS	Local Level Government Advisory Services Division of DPLGA
LLG	Local Level Government
LNG	Liquid Natural Gas
Log Frame	Logical Framework (project management matrix)
LTA	Long Term Adviser
MBP	Milne Bay Province
MC	Managing Contractor
M&E	Monitoring and Evaluation
MP	Member of Parliament
MPA	Minimum Priority Activity
MTDS	Medium Term Development Strategy
NCOPA	National Coordination Office for Bougainville Affairs

ACRONYMS AND ABBREVIATIONS

NEC	National Executive Council
NEFC	National Economic and Fiscal Commission
NGO	Non Governmental Organisation
NIP	New Ireland Province
NPRA	Northern Province Restoration Authority
NRI	National Research Institute
NZAID	New Zealand Agency for International Development
OLPLLG	Organic Law for Provincial and Local Level Government
ORD	Office of Rural Development
PA	Provincial Administrator
PCaB	Provincial Capacity Building Program of UNDP
PCMC	Provincial Coordination and Monitoring Committee
PCT	Provincial Corporate Team
PDL	Professional Diploma in Legislative Drafting
PEC	Provincial Executive Council
PER	Provincial Expenditure Review
PFMA	Public Financial Management Act
PGAS	PNG Government Accounting System
PGK	Papua New Guinea Kina (PNG's currency)
PHQ	Provincial Head Quarters
PIPP Account	Program Implementation Personnel and Procurement
PLLSMA	Provincial and Local Level Service Monitoring Authority
PLO	Provincial Liaison Officer (DPLGA CBD)
PMA	Provincial Management Adviser
PMD	Performance Monitoring Division of DPLGA
PMT	Provincial Management Team
PMV	Public Motor Vehicle
PNG	Papua New Guinea
PPII	Provincial Performance Improvement Initiative
PSRMU	Public Sector Reform Management Unit
PSWDP	Public Workforce Development Program
PWC	Price Waterhouse Coopers
RFT	Request for Tender

ACRONYMS AND ABBREVIATIONS

RIGFA	Reform of Intergovernmental Funding Agreement
RSD&LGP	Rural Service Delivery & Local Governance Project (World Bank)
SDLLGP	Strengthening of Districts and Local-Level Governments Project (European Union)
SDMM	Service Delivery Mechanism Model
SHP	Southern Highlands Province
SMA	Strategic Management Adviser (NEFC)
SNS	Sub National Strategy
VSAT	Very Small Aperture Terminal – small satellite dish used to access Internet

1 General Information

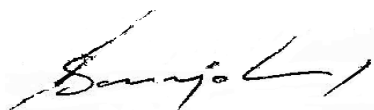
Currency Conversion

PNG SNS assumed an exchange rate of PGK 1.00 = AUD 0.42. Over the course of the implementation of PNG SNS between May 2007 and until May 2011, this base exchange rate which was used for budgeting and financial reporting, was modified as needed within the movement range indicated in the table below. The average over the 4 years was AUD 0.4565.

Year	Rate High	Rate Low
2007	0.4354	0.3759
2008	0.6271	0.3733
2009	0.5796	0.4012
2010	0.4557	0.4040

Certification

This is to certify that this Completion Report has been completed in accordance with the relevant AusAID policy determinations and PNG SNS contract requirements.



Michael Brownjohn

Signed for on behalf of

Coffey International Development

Date 30th September 2011

2 Basic Activity Data

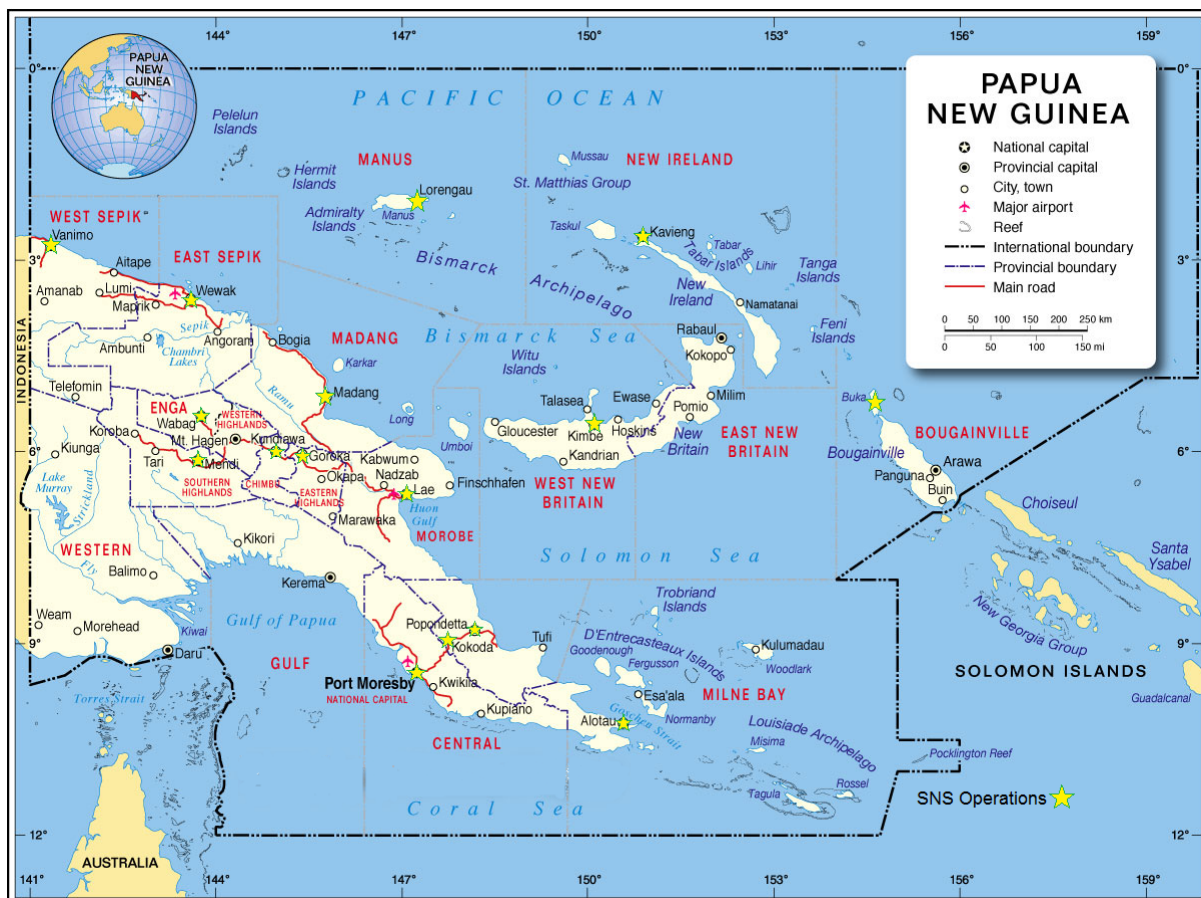
Coffey International Development as the Implementing Service Provider (ISP) for the Sub National Strategy (SNS) has a contractual obligation to: “prepare and submit a Program Completion Report (PCR) which is prepared in accordance with AUSGUIDE and any other written instructions that may be issued by AusAID”

Although the SNS will continue there is an obligation to prepare a PCR at the end of each major phase. This report marks the completion of the ISP four year contract from June 2007 through May 2011.

The objective of the report is to provide AusAID, GoPNG, DPLGA, NEFC, NRI, ORD, Provincial Administrations, ABG and other stakeholders with documentation of SNS achievements, lessons learned, approaches to sustainability through identification of on-going needs and collation and recording of performance data.

Location

The PNG SNS operated from 2007 to 2011 and supported Government of Papua Guinea capacity development activities in 17 Provinces: Bougainville, Central, East New Britain, East Sepik, Eastern Highlands, Enga, Manus, Madang, Milne Bay, Morobe, New Ireland, Oro, Simbu, Southern Highlands, West New Britain, West Sepik and Western Highlands.



Implementing counterpart agency and delivery organisation

SNS is a cooperative initiative of the GoPNG and GoA to improve PNG's decentralised system of service delivery. The program operated in partnership with a number of national agencies and provincial administrations. The single largest modality has been the use of technical advisers; however, this focus was changing substantially as the program moved into its next phase.

GoPNG Departments and Agencies - Provincial and District Administrations

- Department of Provincial and Local Government Affairs (DPLGA)
- Office of Rural Development (ORD)
- National Research Institute (NRI)
- National Economic and Fiscal Commission (NEFC)
- Autonomous Bougainville Government (ABG)
- Central Provincial Administration
- East New Britain Provincial Administration
- East Sepik Provincial Administration
- Eastern Highlands Provincial Administration
- Enga Provincial Administration
- Huon Gulf District Administration
- Madang Provincial Administration
- Manus Provincial Administration
- Milne Bay Provincial Administration
- Morobe Provincial Administration
- Oro Provincial Administration
- New Ireland Provincial Administration
- Simbu Provincial Administration
- Southern Highlands Provincial Administration
- West New Britain Provincial Administration
- West Sepik Provincial Administration
- Western Highlands Provincial Administration

Key Dates

SNS commenced in May 2007 and concluded in May 2011. SNS was informed by the pilot Sub National Initiative (SNI) which operated from 2004 to 2006 and the PNG Sub National Strategy Design Document, 2006. A Mid Term Review of SNS took place in March 2009 and annual Independent Reviews were conducted annually in April or May from 2008 to 2011 inclusive.

Approved and Actual Cost

The AusAID approved financial expenditure for the SNS ISP contract was AUD **48,761,096** and AUD **46,963,792** was expended (see Appendix 6 for a detailed reconciliation of the ISP accounts).

Since 2004 SNI and SNS have supported Incentive Trust Funds for the Provincial Performance Improvement Initiative (PPII) to the value of PGK 23,100,000 (see Appendix 7 for a detailed reconciliation of PPII Trust Funds). Since 2004 AusAID have provided PGK 37,112,176 to

Bougainville's Governance Implementation Fund (GIF). These Trust Fund monies were managed through GoPNG systems (see Appendix 8 for a detailed reconciliation of the GIF accounts).

Form of Aid

SNS sought to maximise partner government ownership, ensure coherence between the partners' policies, spending and results and reduce transaction costs by using partner government systems to the greatest extent possible. This model, 'Support to Partner Programs' maintained, at GoPNG's request, the expanded and enhanced PPII government initiatives to improve service delivery. SNS was delivered through a combination of traditional incentive-based aid modalities, rewarding good performance. The main modalities were technical advisory and budgetary support. SNS was underpinned by engagement and relationships and sought strong collaboration between AusAID and relevant GoPNG stakeholders at the national and provincial levels, including districts and local level governments (LLGs).

3 Executive Summary

PNG faces one of the most complex decentralisation challenges in the world due to its extreme cultural and geographic diversity. The Governments of PNG and Australia committed to the Sub-National Strategy as a long term program of engagement, a cooperative initiative to improve PNG's decentralised system of service delivery, lasting up to 15 years. SNS is directly aligned to intended outcomes of the PNG–Australia Partnership for Development to achieve improved development outcomes and sustainable improvements in the quality of life of all Papua New Guineans.

The SNS approach to achieving its goal is “Support to Partner Programs” for improvements in public administration and service delivery. The first SNS phase is for five years from June 2007 until June 2012. An Implementing Service Provider (ISP) contract with Coffey International Development for the first four years ended on 30 May, 2011. This Completion Report is for that four year contract.

SNS is a flexible program, aligned to GoPNG leadership and direction and has achieved significant results. These include a new system of inter-governmental financing that contributed to substantial increases in funding for schools and health services, rehabilitation of the Provincial and Local Level Service Monitoring Authority (PLLSMA), expansion of the Provincial Performance Improvement Program (PPII) to 16 provinces and extensive assistance for the consolidation of peace in Bougainville. SNS has supported Southern Highlands Province to restore effective public administration following the 2006 “State of Emergency”. The SNS Finance Team has improved health and education services through Integrated Planning, Budgeting, Monitoring and Reporting systems. Human Resource advisers have been the catalyst for improvements in the management of provincial public service human resources. SNS Project Management and Contract Advisers have provided resources to improve the implementation of transport infrastructure projects.

AusAID Provincial Representatives, have been deployed to five Provinces and are building a body of knowledge of PNG's decentralisation policy to effectively improve services to the grass roots population of PNG. SNS takes a holistic view and engages at multiple levels, consistent with international good practice, supporting emerging initiatives to strengthen GoPNG's decentralisation.

The largest SNS procurement was recruitment of Advisers with more than 80 long-term, periodic or short-term technical advisers mobilised and managed by the ISP between June 2007 and May 2011. SNS is changing its focus from advisers to non-advisory modalities of development assistance.

A number of external evaluations of SNS were conducted including an Independent Review Group in 2008, a mid-term review in 2009, Guidance Notes in 2010, annual Independent Reviews of the ISP's performance, a PPII Review in 2010 as well as the periodic inputs from the Independent M&E Adviser.

SNS has played a role across GoPNG and donor activities to coordinate and monitor services at the sub national level. SNS works closely with other development programs including the UNDP Provincial Capacity Building Program, the Department of Finance's Provincial Budget Branch and Finance Training Branch, the European Union, New Zealand Aid Program and other AusAID funded central agency Programs. SNS officers are informing and coordinating AusAID sectoral programs in Health, Education, Law and Justice, HIV and AIDS and Community Development.

This PCR includes a series of text boxes which provide stand alone case studies of SNS successes (blue shading) and Analytical Diagnosis of Program processes (rose shading).

4 Background

PNG faces one of the most complex decentralisation challenges in the world due to its extreme cultural and geographic diversity. The 1995 Organic Law on Provincial and Local Level Government (OLPLLG) pushes responsibility for service delivery down to the sub-national levels. Considerable confusion existed 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 OLPLLG contributed to a progressive deterioration in service delivery.

From 2002, through a process of dialogue and exchange between GoPNG and the Australian Government, the Sub National Initiative (SNI) emerged as a pilot program aimed at addressing some of the critical shortfalls in the implementation of the Organic Law. SNI ran for three years from 2004 to 2006 and worked with three provincial administrations, Central, East New Britain and Eastern Highlands.

Based on the experiences of the SNI pilot, the two governments committed themselves to longer term cooperation - the Sub-National Strategy (SNS), which is envisaged as a long term program of engagement, lasting up to 15 years. The first phase covers the five years from June 2007 until June 2012. An Implementing Service Provider (ISP) contract with Coffey International Development was for the first four years and ended 30 May, 2011. This Completion Report is for the ISP for that four year contract.

Coffey International Development was awarded the tender for the final 13 months of SNS Phase 1 in May 2011. A design process is currently in process for SNS Phase 2 to run from July 2012 through June 2017 which will be known as the Sub National Program (SNP). The recently completed tender process allowed for contract extension options of three and two years.

By design, SNS is a flexible program that aligns itself behind GoPNG leadership and direction. The program does not have a log-frame¹ with clearly defined objectives and outputs, and has been allowed to evolve iteratively, building on opportunities for engagement and adaption to emerging policy priorities and concerns.

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) and the expansion of the Provincial Performance Improvement Program (PPIL) to 16 provinces.

¹ The ISP used a Logframe to track individual capacity building activities, but this is different than a SNS Program Logframe.

Provincial and Local Level Government Services Monitoring Authority (PLLSMA)

The Provincial and Local Level Services Monitoring Authority (PLLSMA) was established in 1995 under section 110 of the Organic Law on Provincial and Local Level Governments.

Initially, PLLSMA underperformed. The PLLSMA Secretariat, managed by DPLGA's Performance Monitoring Division (PMD) was under-staffed with poor communication facilities to support PLLSMA dialogue and coordination. Department Secretaries seldom attended PLLSMA meetings leaving subordinate managers to represent agencies. These officers often did not have the authority to make decisions for their organisations, substantially slowing the PLLSMA process. PLLSMA members often did not appreciate the relevance of PLLSMA to their own Departmental functions.

Since 2004, with the support of SNS, PLLSMA has re-vitalised, with significant progress in lifting its profile and relevance to government operations. PLLSMA's constituent members fully participate, routinely deliberating on substantive matters concerning the three administrative levels of PNG government. Consultative and coordination meetings with Governors and Provincial Administrators have been re-established and all levels of Government deliberate together on service delivery issues at these forums. PLLSMA agendas are now more strategic and address specific service delivery issues. The number of Departmental heads attending meetings has increased with as many as seven Secretaries attending quarterly PLLSMA meetings in 2010.

PLLSMA has defined a system to better coordinate and integrate national policies and programs to provinces and from provinces to the national level. National agencies are now developing Provincial engagement and capacity support initiatives for the Provinces and Local Level Governments as a PLLSMA requirement. The Central Agencies Consultative Committee (CACC) now supports PLLSMA initiatives on coordination and collaboration. Also, DPLGA's Performance Monitoring Division is better equipped and is taking leadership in carrying out its secretariat role for PLLSMA.

SNS has been highly commended by PLLSMA members for supporting GoPNG coordination mechanism and for engaging Papua New Guinean Advisers to support the strengthening process. The engagement of a PNG Implementation Adviser has been strategic for PLLSMA. The Adviser possesses political savvy and is well connected at national and provincial levels. She has facilitated strategic meetings and dialogue between PLLSMA and key agencies, such as Public Sector Reform Management Unit (PSRMU). Some meetings dealt with hard issues where vested interests could not be discounted. The adviser's connections and insight enabled PLLSMA to progress initiatives such as the establishment of Provincial Coordination and Monitoring Committees (PCMCs).

PLLSMA is gaining momentum and achieving real impact as a result of the leadership of the Chair, DPLGA's Secretary and the Deputy Chair, NEFC's Chairman. These reformists are well supported by the PLLSMA Adviser who has senior management experience within PNG government.

Activity Description

SNS is a long term commitment and is:

“A partnership between the Government of Papua New Guinea and the Government of Australia to improve service delivery for the men, women and children of Papua New Guinea.”

- 1) 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) and the expansion of the Provincial Performance Improvement Program (PPII) to 16 provinces.
 - a) Under the SNS, AusAID will expand the provision of incentive-based support to Provinces that demonstrate a willingness and commitment to reform. In addition, like in the pilot SNI, AusAID officers will be deployed in selected provinces to provide oversight of the assistance provided under the SNS and to help streamline the broader aid program at the Provincial level.
 - b) AusAID has partnered with the GoPNG in planning the expansion of the PPII. Drawing on the success of the pilot, and lessons learned from it, the expanded PPII will support provinces in three phases. The first phase of the program focuses on improving internal provincial systems, the second on service delivery and the third on improving internal revenue and consolidating gains that have been made. Performance incentives will encourage the Provinces' progression between these phases. There is already demand on the part of Provinces to join the expanded PPII.
 - c) Ongoing and new initiatives at the National level aimed at strengthening the decentralised system of government will now come under the scope of the expanded PPII. These include:
 - i) The review of intergovernmental financing arrangements by the National Economic and Fiscal Commission;
 - ii) The review of the Organic Law on Provincial and Local level Government, by the Department of Provincial and Local Government Affairs and the National Research Institute; and
 - iii) Work around improving the co-ordination and sequencing of national initiatives to support sub-national government and administration.
- 2) Targeted engagement in Special Case Provinces and consolidation of peace in Bougainville.
 - a) The SNS will develop and support strategies for providing assistance in certain provinces where poor security or national interest issues pertain, such as Southern Highlands and Western Province. These may be based on the identification of non-traditional partners (such as resource companies) with whom the aid program can work. Such strategies will focus on service delivery and stability.
 - b) Funding and advisory support provided to the Autonomous Region of Bougainville for improved governance and the implementation of autonomy arrangements will also be brought under the SNS, given the compatibility of AusAID's support to Bougainville with that of the expanded PPII.
- 3) Informing Australia's aid program to PNG:
 - a) Australia's engagement with sub-national levels of government under the SNS will increasingly be drawn on to inform and shape the delivery of the broader aid program to PNG. AusAID may also support new initiatives that the Government of PNG develops to improve the decentralised system of government, if it is considered appropriate and feasible to do so.

Case Study: Central Province - Improved Service Delivery

An emphasis on coordination, involving all stakeholders, has resulted in a marked improvement in service delivery outcomes across Central Province. Improved service delivery at provincial, district and local government levels has been made possible by management systems based on sustainable planning, implementation and monitoring.

Since 2008, Central has made strong progress, based on PPII Phase II criteria, on improving corporate service delivery management systems. PPII incentive payments have improved district service implementation capacity plans. Central has spent more of its incentive payments than any other province and is working to implement recommendations of PPII internal audit reports.

Central is now ranked third in terms of spending on basic services, based on NEFC's 2009 performance expenditure review data. This is a result of increased funding allocation and improved service delivery systems.

Given its limited fiscal capacity, Central has prioritised health services delivery, consistently increasing funding on health over a five-year period. From having the poorest provincial health indicators for many years, Central has been recently recognised as the second most improved province in terms of health service delivery.

The improvement was due to stronger performance in areas such as outreach patrols to villages, immunisation coverage and the safe motherhood indicators such as supervised delivery. The Province has devolved most of its increased health function grants to the districts; staff now have access to funds to manage facilities at the District Treasury Office.

2010 was a particularly challenging year in Central due to the Cholera Outbreak, however the Province has responded well to the outbreak and as a result, the case fatality rate from cholera has been very low. The cholera response has, however, diverted attention from some of the routine activities that enabled the improved performance in 2009, so further effort is needed to ensure there is continuing improvement in health indicators in 2011.

Critical success factors for improved service delivery in Central have included:

- Support has come behind provincial leadership and direction to deliver core health and education service delivery functions.
- AusAID funded programs have worked together to achieve service delivery goals through a systems approach.
- PPII support has been focused at the district level since 2008, which has driven practical service delivery improvements.
- Provincial and District Administrations have worked closely with political representatives to achieve the same service delivery objectives.
- Effective linkages have been established from provincial – district – ward level.

5 Effectiveness

AusAID guidelines on PCRs require a qualitative assessment of how well the initiative was managed and how management impacted on achievement outcomes. The following section addresses this requirement. This PCR also includes a series of text boxes which provide stand alone case studies of SNS successes (blue shading) and Analytical Diagnosis of Program processes (rose shading).

The SNS Program is judged a success by AusAID, counterparts, independent reviewers and the ISP. In the first four years of the Program the majority of intended activities and outcomes have been achieved. PPII has expanded from the original three pilot provinces to include 17 of the 20 sub national governments². AusAID officers, now referred to as Provincial Representatives, have been successfully deployed to five Provincial Administrations (Bougainville, Central, East New Britain, Eastern Highlands and Milne Bay). The flexible nature of SNS and the ISP's contract has allowed the Program to support emerging initiatives to strengthen GoPNG's decentralised system of government. Examples of support for emerging initiatives include:

- **Facility Funding District Case Study** - a research project into why funding is not reaching the service delivery front-line. The focus of the report is on district administrations and service delivery in districts. Its most important finding is that ways need to be found to channel funding directly to the facilities that offer services at the periphery of government—health facilities, schools and village courts.
- **Service Delivery Mechanism Model (SDMM)** - support for a major GoPNG fact finding exercise in 2009 analysing SDMM across five provinces (Central, Madang, Milne Bay, Simbu and, West Sepik). SNS supported SDMM with a full time adviser working with DPLGA to finalise the SDMM report to government. SDMM investigated shortcomings in office facilities, staff housing and transport and communication infrastructure (collectively referred to as the enabling environment) necessary to support GoPNG's focus on improving service delivery at sub-national levels.
- **The District Information Management System (DIMS)** - support through engagement of an Adviser for the Office of Rural Development commencing in 2010. The Adviser provides support for the implementation of an information system to capture and report on project plans and implementation progress of the K 1.2 billion worth of activities under the District Services Improvement Program (DSIP).
- **Kokoda Development Program (KDP)** - The ISP was initially tasked to manage funds for Kokoda and later to assist with contracting of air charters, procurement of goods and contracting advisers.
- **PPII Independent Review** - the Secretary DPLGA requested SNS support to commission an independent review of the PPII Program in 2010. A team of advisers supported by DPLGA and Provincial Administrations conducted a nine week review which was funded by SNS and supported by the ISP.

While SNS supported these emerging initiatives at GoPNG request, not all have produced results. The Facility Funding District Case Study findings are yet to be addressed and SDMM recommendations have not been implemented. Reasons for their lack of implementations are many and the ISP has

² The only provincial administrations not involved in the SNS program are Gulf, Western and the National Capital Territory.

cited some of them in Six-Monthly Reports to AusAID between 2009 and 2011. Future requests could be negotiated dependent upon clear implementation strategies and milestones. GoPNG could be requested to demonstrate commitment to implement findings and recommendations prior to future emerging activities being supported, acknowledging the uncertain operating and political environment.

The PPII Phasing criteria (see Appendix 11) for provinces, as outlined in the SNS Program Design, has become blurred as a tailored approach to each province is demonstrably more effective and achieves better improvements in public sector administration. The PPII Review Team found that PPII provides a foundation for change and Provincial Administrators spoke enthusiastically about improvements in public administration as a result of PPII support.

SNS has been actively involved in supporting Southern Highlands Province to restore effective public administration following the 2006 "State of Emergency". An SNS Human Resource Adviser has worked with the administration to recruit and mobilise the 55 senior officers for the administration. A Corporate Plan Implementation Adviser and the Lead Finance Adviser are supporting SHP to improve Budgeting and Planning. The public service and the services they deliver are being restored to the Southern Highlands, albeit slowly.

SNS support for the consolidation of peace in Bougainville has been substantial with a team of eight full time technical advisers, a finance officer from the Governance Implementation Fund (GIF), a periodic Legal Adviser and a Logistics Officer. The ISP manages the GIF which AusAID contributes up to PGK 12.5 million per annum and the New Zealand Aid Program up to PGK 3.7 million per annum (see Appendix 8 for a detailed reconciliation of GIF funding).

Component three of the SNS design was "Informing Australia's aid program to PNG". While this component has much potential for expansion, Australia is building a body of knowledge to "inform and shape the delivery of the broader aid program to PNG." DPLGA, NEFC, NRI, ORD, AusAID Provincial Representatives, SNS' Independent M&E adviser and the ISP are all contributing to a growing body of knowledge on PNG, its decentralisation policy and how to effectively improve services to the grass roots population of PNG.

Program Management

The SNS Mid Term Review in 2009 found that "Important achievements have been made in a relatively short period of time, and considerable momentum has developed that bodes well for the future ... the overall rationale and approach of the program in support of GoPNG policy objectives on decentralisation is sound... A main strength of the program is its holistic view of decentralisation and recognition of the need to engage at multiple levels and to link up different initiatives and stakeholders. This is indeed consistent with international good practice." SNS accomplishments can be attributed to one of the key SNS values – that of relationship. It is the openness, and mutual understandings of SNS stakeholders (GoPNG with DPLGA's leadership) that has enabled SNS to build on incremental wins over time.

The views of the success of SNS are echoed in six monthly reports from the M&E Adviser, the PPII Review Report in 2010 and the ISP's annual Independent Review Team (IRT) assessments. The ISP was awarded full performance payment in each of the four years by the IRT.

AusAID has agreed to extend SNS for at least another five years and Phase 2 is currently being designed and will run from July 2012 until June 2017.

NEFC – supporting improved service delivery through fiscal decentralisation

AusAID and the SNS program have provided technical advisory support to the NEFC for many years.

The NEFC is an independent constitutional advisory body to Government that operates with a strong focus on improving the delivery of basic services to the rural majority spread widely across the country. NEFC believes that regenerating PNG's service delivery mechanism can only happen if adequate amounts of recurrent funding reach the right administrative levels of government. By utilising its small size and flat operating structure the NEFC has worked diligently in developing a sound evidence-based understanding of the service delivery context. This information is then shared generously to both inform and influence the policy debate on matters relevant to NEFC's mandate and focus.

So in this context NEFC advisers have supported the organisation as it:-

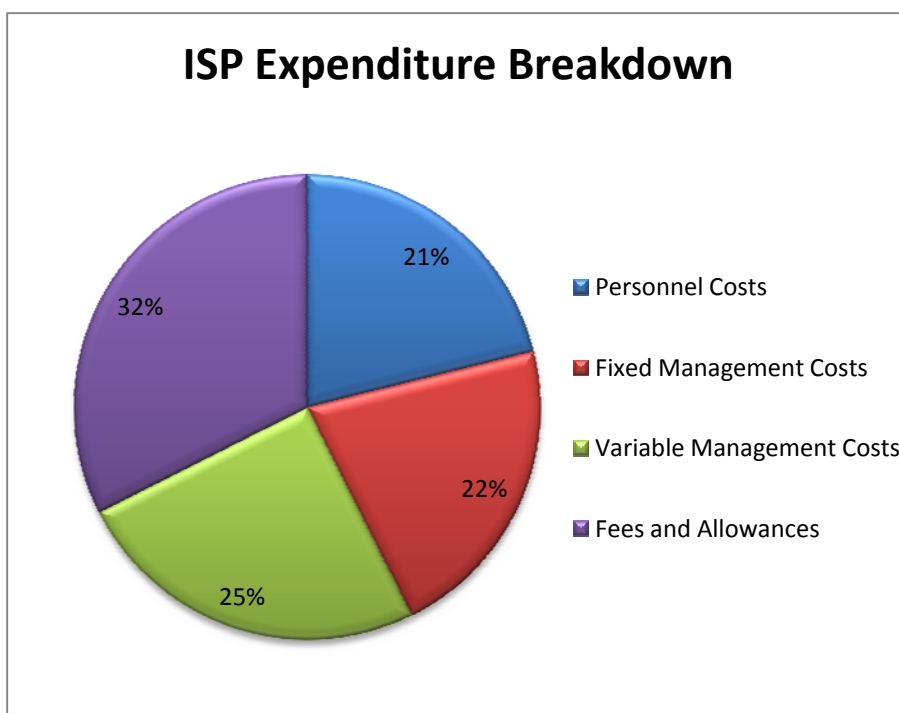
- Partners with the Department of Treasury and other national agencies in implementing RIGFA and ensures more funding gets to front-line services and to those provinces who need it most;
- Directs funding to GoPNG priority areas (such as rural health, basic education, maintaining transport infrastructure, primary production and village courts) through the system of targeted grants and the introduction of the *minimum priority activities* concept;
- Influences better budgets (by improving sectoral prioritisation and targeting priority activities) with initiatives such as the Provincial Budget Model (that leverages off the cost of services study) and the Provincial Budget Scorecard;
- Looks for new ways to maintain strong working partnerships with provincial administrations, other central agencies, and line agencies. In recent years this has included an annual series of regional workshops that focus directly on resolving service delivery impediments;
- Actively supports PLLSMA as a strategic province-facing co-ordinating body of GoPNG;
- Contributes annually with evidence-based monitoring information (such as the Provincial Expenditure Review) that can both inform and challenge longstanding perceptions;
- Contributes to the body of knowledge on Papua New Guinea and its service delivery mechanisms through relevant and timely applied research, such as: the cost of services study; the annual provincial expenditure review series; the provincial revenue study; the district centre survey study; and the development expenditure review;
- Targets strategic high impact public financial management interventions such as proposing a new standard Chart of Accounts for provincial administrations.

For NEFC advisers their capacity building work happens both internally and externally. Naturally advisers are expected to work closely with NEFC staff to develop NEFC's in-house capacity, but they also assist NEFC in its broader role as an adviser to government. In this broader context the advisory support to NEFC seeks to support the organisation in contributing positively to the policy debate and to improving the service delivery mechanisms of government. In this sense NEFC and its advisers have an externally focused capacity development perspective.

Risk Management

The ISP managed risk identification and analysis for the SNS Program through a risk management process which identified risk as early as possible and avoided or minimised loss. Risk is inherent in development work in countries such as PNG. However, its presence does not deter development partners from providing funds and resources; in fact it is often the presence of these risks which drives governance programs such as SNS. SNS risk mitigation strategies included:

- effective recruitment, induction and on-going management of advisers and other capacity building modalities;
- comprehensive security and insurance policies and procedures;
- efficient procurement policies which were enforced;
- Quality Assurance approach to managing all activities;
- Program of Peer Review for major initiatives;
- Program of Internal and External Audits for Trust Funds;
- Effective communications between AusAID, Counterpart Agencies and the ISP.



Procurement During the Initiative

The largest Procurement throughout the ISP's contract was recruitment of Advisers. More than 80 long-term, periodic or short-term technical advisers were mobilised and managed by the ISP between June 2007 and May 2011 (detailed information on advisers can be found below at Appendix 3). The ISP's 2011 independent review "found that the ISP has continued to refine its recruitment process including the production of recruitment strategies for all new adviser positions including close involvement of GoPNG counterparts in final recruitment and selection decisions.

Counterparts have commended the high level technical, capacity building and cross-cultural skills of the advisers recruited. Relevant counterparts are significantly involved in key stages of adviser recruitment and management:

- Counterparts help to identify the need for advisers and help to define job requirements and develop terms of reference;
- Counterparts participate in the actual merit based recruitment process;
- Agency induction is hosted by counterparts when advisers are mobilised;
- Advisers report to and are accountable to the counterparts for providing advice and outputs in accordance with his/her agreed work plan and for overall performance in fulfilling the assignment. The adviser negotiates his/her work plan and day-to-day work priorities with the counterparts. Where advisers have multiple counterparts, such as fly-in, fly-out advisers, work plans are developed for each province;
- The ISP management undertake the adviser's bi-annual performance appraisals in consultation with the counterparts
- Quarterly reports are shared with counterparts
- TOR are reviewed with counterparts (generally this come up during performance appraisal if it needs to change);

Counterparts are open and up front with the ISP where there are performance issues and a number of advisers have been removed from the program following concerns raised by counterparts.

A fleet of 62 motor vehicles was procured and maintained by the ISP in 11 provinces. A thorough cost benefit analysis was conducted at the beginning of the contract to determine the best value for money approach to fleet management. This exercise was based on 'whole of life' costing and included original costs, maintenance and running costs, safety and reliability and resale value.

The ISP established a series of preferred supplier arrangements with airlines, accommodation providers, car hire firms and other goods and service providers to ensure value for money procurement. Commonwealth Procurement Guidelines were observed throughout the life of the Program. The ISP was subject to annual Independent Reviews and External Financial Audits to provide assurance that effective procurement and management of SNS resources took place.

Monitoring and Management Decisions

SNS Program Monitoring and Evaluation (M&E) was conducted by an Independent M&E Adviser, directly contracted by AusAID with periodic inputs. The M&E Adviser was also to advice AusAID on the development of annual work plans and performance indicators for SNS. The ISP was to:

- a) undertake data gathering and reporting in accordance with the SNS M&E Framework;
- b) Provide technical support and capacity building for GoPNG to fulfil its own M&E functions; and
- c) Institute systems to assess the effectiveness of the ISP's own processes.

The SNS design nor the ISP's contract provided for M&E as a central principle to contribute toward SNS impact and sustainability. The ISP was not contractually responsible, nor resourced, to undertake Program M&E activities. The ISP raised the issue of a shortage of Program M&E resources as early

as August 2007 (see ISP Briefs to AusAID Appendix 5: ISP Team Structure August 2007, Monitoring and Evaluation Roles-February 2008.)³

The SNS Program was subject to a number of external evaluations including an Independent Review Group (IRG) in 2008, a mid-term review of SNS in 2009, Guidance Notes in 2010, annual Independent Reviews of the ISP's performance and an Independent Review of PPII in 2010. Findings from each of these reviews were generally positive but made sound recommendations for improvements to Program Management and Decision Making.

Joint Management Committee supervision of initiative

SNS has two committees which provide oversight by GoPNG counterparts: the PPII Steering Committee and Bougainville's Governance Implementation Fund (GIF) Quarterly Reviews.

PPII is overseen by an interdepartmental committee of senior officers, and AusAID, chaired by the Secretary DPLGA. Members include the Chairman of NEFC, representatives of Departments of Personnel Management, National Planning and Monitoring, Finance, Treasury and the National Research Institute. The PPII Steering Committee meets on an annual basis to approve PPII Plans and resources for the following year. Support for PPII Steering Committee meetings varied with DNPM not attending during meetings. The 2008 meeting did not occur at all and agreement on PPII activities for 2009 was reached through an exchange of letters. Avenues for achieving a stronger commitment for future Steering Committee meetings should be explored, including consideration of the meetings being held in conjunction with the fourth quarter PLLSMA meeting.

The PPII Secretariat is managed by DPLGA's Capacity Building Division and is scheduled to meet monthly to manage PPII capacity development activities. The Secretariat is Chaired by DPGLA's Director of the Capacity Building Division and membership includes AusAID, DPM, DNPM (does not attend), NEFC, ORD and the ISP. While the intention was to hold at least 10 Secretariat meetings each year on the last Thursday of each month, as few as six meetings a year were held. The date often changed and this affected the level of attendance by other agencies. The Secretariat does not have formal terms of reference and resolutions were not always followed through. The 2010 PPII Review recommended that the PPII Secretariat should become a subcommittee of PLLSMA.

Bougainville's GIF is funded by the ABG, SNS and New Zealand's Aid Program. The ABG, AusAID, NZAID and the ISP meet quarterly to approve and monitor GIF funded activities. The GIF meetings were held at least three times each year with regular attendance by ABG, NCOBA, NZ Aid programme, AusAID and the ISP. GIF processes continued to improve over the four years with effective reports, minutes and actions items.

GoPNG agencies have demonstrated a very high level of 'ownership' and commitment to the SNS program with the notable exception of DNPM. The SNS design identified DNPM and DPLGA as the two main GoPNG agencies to lead the Program. DNPM was responsible for all PPII Incentive Trust Accounts and was to fully participate in all activities. However, DNPM disengaged from SNS as early as 2008 and never participated effectively. This caused considerable difficulty managing the PPII Trust Funds with DNPM neglecting to process documentation to transfer funds to provinces. In October

³ The ISP recruited a Locally Engaged Staff (LES) with M&E experience in February 2011 to conduct M&E on the growing number of non-TA activities.

2010, the PPII Steering Committee resolved to transfer the PPII Main Trust Account to DPLGA. This transfer took place in May 2011 and funds finally flowed to provinces in June 2011, more than two years late in some cases.

The lack of engagement by DNPM and, irregular PPII Secretariat meetings underscore a flaw in SNS program implementation. A key tenet of SNS is engagement and program implementation through relationships and PNG leadership, SNS and PPII rely on individuals. SNS identifies and supports PNG leaders and the related social and political contexts in which they perform their public duties.

SNS should consider linking with the AusAID Canberra-based leadership program supported by a number of multi-lateral organisations. This is an emerging area of study that has relevance to incentive-based and demand-driven approaches to support reforms in environments such as PNG. A serious attempt should be made to study what makes good leadership and coalitions for change in the PNG context. Some lessons and applications can be drawn from successes in Africa and Asia to inform SNS.

Coordination with other activities

SNS has increasingly played a coordinating role across GoPNG and donor activities. SNS has supported GoPNG's Provincial and Local Level Service Monitoring Authoring (PLLSMA) to coordinate and monitor services at the sub national level (see PLLSMA case study). SNS advisers have worked closely with other development programs including the UNDP Provincial Capacity Building Program (PCaB) which works to strength Provincial Treasuries, the Department of Finance's Provincial Budget Branch and Finance Training Branch.

The European Union is working with SNS components in the Office of Rural Development (ORD) and in Public Finance Management (PFM) analysis. The New Zealand Aid Program works closely with AusAID to administer Bougainville's Governance Implementation Fund (GIF).

Other AusAID funded central agency programs supporting Provincial Internal Audit (SPIA), Central Supply and Tenders Board (CSTB) and the Public Work Force Development Program (PSWDP) have worked closely with SNS to achieve better coordinated and more cost effective outcomes. SNS officers are informing and coordinating AusAID sectoral programs in Health, Education, Law and Justice, HIV and AIDS and Community Development.

SNS support for Provincial Human Resource Management (HRM)

A team of HRM advisers joined SNS in November 2007 and have since supported 13 PPII provinces (WSP, ESP, ENB, Madang, Morobe, Central, Simbu, Oro, EHP, Milne Bay, WHP, SHP and Manus) and the Autonomous Bougainville Government (ABG).

HRM support has been in line with the Papua New Guinea – Australia Partnership for Development⁴. The HRM team developed a diagnostic toolkit called the Human Resource Capacity Assessment (HRCA) that has enabled HRM advisers to tailor engagement and technical inputs to address specific issues as identified by provincial management teams. Common HRCA findings are:

- Provincial HRM systems and processes are not robust and have been poorly utilised for career progression and succession planning, performance management, appraisals and reporting, records management and employment of casuals. As a result, HRM systems do not deliver desired outcomes of task accomplishment and performance improvements.
- The practice of sidelining public service personnel with “unattached” staff is out of control due to poor redundancy, succession and natural attrition planning and management.
- Disciplinary processes have not followed due process and have not stood the test when litigious contests are mounted against the DPM and the PSC.
- Job classifications are out-dated and do not recognise complexities of work environments and society’s expectations of public service performance.
- Staff entitlements are poorly managed and are under-resourced in budget allocations.
- Information flows for decision-making are inefficient.
- Workplace gender disparities, occupational health and safety, human rights and HIV and AIDS are not addressed in a genuine way.

The SNS HRM show case is East New Britain Provincial Administration. During 2009 and 2010, following completion of the HRCA, the HRM team assisted the provincial management team to implement devolution of HRM responsibility. This was a major national government initiative with DPM transferring key HRM powers and responsibilities to selective national government agencies and provincial administrations, based on a 2007 Cabinet decision.

The SNS HRM team worked with ENB’s provincial management to coordinate support from both DPM and DPLGA. This was the first time DPM and DPLGA worked together to resolve a province’s HRM problems and demonstrated the positive outcomes of national agency coordination. DPLGA utilised PPII with funding support from SNS to meet logistical costs for DPM officials to travel to ENB for a period of nine weeks. DPM and DPLGA officers worked with SNS advisers to provide support for the ENB management team and HRM division. DPM ensured ENB understood and implemented the devolved HRM powers and functions before conducting a major staffing re-structure of all ENB provincial administration positions.

As a result of SNS support, ENB has a new service delivery model where its four districts and thirteen LLGs are coordinating and providing frontline services. ENB has now successfully re-aligned its public service to ensure districts and LLGs have the staff required for the delivery of services as per DPM’s criteria to split staff across provincial head quarters (15%), district head quarters (35%) and local level governments (50%). In addition, 87% of GoPNG administration grants are now channelled via ENB’s District Treasuries.

⁴ “Focus Area 1: Public Sector Capacity Development and Performance under Priority Outcome 4: Public Service Schedule: “the two governments have agreed to work together to strengthen the capacity of individuals, work units and agencies, as well as coordination between agencies at the national, provincial and district levels to improve service delivery”.

6 Relevance

The SNS Program continues to be highly relevant in meeting both GoPNG and GoA objectives and the objectives of the PNG-Australia Partnership for development.⁵

In 2008, PNG and Australia signed the PNG–Australia Partnership for Development.⁶ The Partnership provides a framework so Australia and Papua New Guinea can work to meet common challenges and achieve improved development outcomes and sustainable improvements in the quality of life of all Papua New Guineans.

The Goal of SNS, “improved service delivery for the men, women and children of Papua New Guinea”, directly aligns with the Partnership framework. The SNS approach to achieving this goal is through support for improvements in public administration to enhance service delivery.

Four of the five Partnership priorities are directly related to the work of the SNS Program.⁷ These four outcomes are:

- Improved transport infrastructure;
- Faster progress towards universal basic education;
- Improving health outcomes; and
- Strengthening the public service by improving public administration at national, provincial and district levels, including public financial management.

The SNS Program has worked with GoPNG to implement eleven Minimum Priority Activities (MPAs) which directly align provincial performance to GoPNG’s master planning document, “Vision 2050” and reflect the Partnership priorities. SNS Program resources are focused on supporting implementation and monitoring of MPAs as proxies for improved service delivery. All SNS activities now refer to MPAs in adviser terms of reference and scopes of service for non-advisory capacity building.

⁵ <http://www.usaid.gov/country/partnership/png.cfm#png>

⁶ Seven Additional priorities were identified at the Ministerial Forums and in the Papua New Guinea – Australia Development Cooperation Report (December 2010)

6 Stabilise spread of new HIV infections;

7 Improved ability to provide Law and Justice services;

8 Increased workforce skills;

9 Men and women, civil society, and the state working together on issues of common (public) interest, shaping policy, allocating resources, and enabling the exercise of rights

10 Sustainable and secure improvements in food supply and incomes for smallholders

11 A conducive environment for enhanced private sector development

12 Addressing the causes and mitigating the impacts of climate change

⁷ The fifth outcome is improving statistical data by developing and implementing a national statistics roadmap and, though relevant to overall GoPNG governance, is not being directly supported by SNS.

The eleven MPAs are:

- (1) Operation of rural health facilities;
- (2) Outreach health clinics and patrols;
- (3) Drug Distribution;
- (4) Provision of School Materials;
- (5) Supervision by Provincial District Officers;
- (6) Operation of District Education Offices;
- (7) Roads and Bridges maintenance;
- (8) Airstrip maintenance;
- (9) Wharves and Jetties maintenance;
- (10) Extension activities for Agriculture, Fisheries and Forestry; and
- (11) Provision of operational materials for Village Courts.

SNS is implemented through a “Support to Partner Programs” modality. Under this modality AusAID works in direct partnership with GoPNG institutions to guide program implementation. SNS integrates AusAID Provincial Representatives, technical advisers, incentive funding and non-advisory capacity building activities to support GoPNG reform initiatives. SNS is supported by an Implementing Service Provider (ISP) managed by Coffey International Development. Program oversight is provided through a multi-stakeholder steering committee chaired by the Secretary, DPLGA.

The ISP model was a new modality in 2007 at the commencement of the contract and expectations of the ISP and contractual obligations did not always align. This was compounded by high levels of AusAID officer turnover resulting in misunderstandings and tension at times. As early as August 2007 the ISP provided AusAID with a brief regarding its role (see Appendix 5 - ISP Briefs to AusAID – “Clarification of the ISP role and responsibilities”. The ISP aimed to meet AusAID’s expectations but at times struggled to understand what those expectations were. While the stated role was to support and implement the initiatives, policies and directions determined by DPLGA and AusAID, an expectation had emerged that the ISP would be “pro-active” in identifying and generating activities. The paper aimed to clarify responsibilities lest the ISP over-step its responsibility and encroach on the authority and responsibility of DPLGA and AusAID.

The 2009 Mid Term Review stated “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.” The ISP contract reflected a heavy reliance on advisers with payment and personnel directly aligned to the number of advisers recruited and contracted. It did not cater for the increasing focus on non-TA activities nor the management resources required to effectively implement and monitor these emerging modalities.

These tensions were dealt with through open dialogue and improved corporate memory with increased stability of personnel.

SNS, and SNI before it, contributed to substantial increases in provincial funding for schools and health services through NEFC reform of intergovernmental financing arrangements (RIGFA). The SNS Finance Team support has improved health and education services through Integrated Planning, Budgeting, Monitoring and Reporting systems. Human Resource advisers have been the catalyst for improvements in the management of provincial public service human resources. SNS Project Management and Contract Advisers have provided resources to improve the implementation of transport infrastructure projects.

SNS has supported AusAID to move out of Waigani⁸ as was intended by the Program's design. SNS officers are working directly with Provincial Administrations to realise the Partnership's aim of sustainable improvements in the quality of life of all Papua New Guineans. The SNS Program is increasingly reaching beyond Provincial Administrations to work with Districts and LLGs where services are delivered. It is through this level of engagement that health and education services will improve.

SNS has taken a systems, or whole of province, approach to link the many capacity building efforts GoPNG and GoA support. A Finance Adviser cannot build the capacity of public servants who do not report for duty; this is a human resource issue. Provincial Headquarters that cannot communicate with Districts and service delivery facilities are greatly hampered in coordinating the delivery of services; this is an ICT issue. Health and Education Services cannot be delivered without funds being transferred from Waigani; this is a public finance issue.

SNS has demonstrated that it is a highly relevant development program in the context of the decentralisation approach that the GoPNG is pursuing.

⁸ Waigani is the Port Moresby location of most of the National Public Service Agencies and the PNG Parliament Buildings and is used as a colloquialism for the Government of Papua New Guinea.

Annual Provincial Performance Reporting - Section 119 Report

Section 119 (s119) of the Organic Law on Provincial and Local level Government (Organic Law), passed in 1995, requires that:

- Each Provincial Government shall, by 30 June of each year, furnish to the Minister a report on their affairs and local-level governments' affairs for the previous year; and
- Minister submits copies of such reports to Parliament by 31 December of each year.

This legislated requirement was never met until SNS supported DPLGA to work with Provincial Administrations to establish reporting processes. Section 119 reports are crucial to meet PNG's legally mandated accountability system and are more likely to interest, inform and drive national and sub national politicians and bureaucrats.

Due to limited Department of Provincial and Local Government Affairs (DPLGA) capacity, AusAID committed long term advisory support under the SNS program to assist in:

- the revision of the s119 reporting templates;
- creating systematic mechanisms for collecting the report;
- providing prompt feedback on performance to provinces; and
- making Ministerial submissions and Parliamentary tabling.

During the early days of s119 assistance reporting templates were enhanced and DPLGA staff, SNS co-located officers and advisers worked together to raise awareness of the potential of s119 reporting.

The first significant milestone was reached in 2007 when 13 of the 18 provinces submitted, for the first time, s119 reports for the fiscal year 2006 and DPLGA provided formal feedback to the provinces. In March 2009 the first s119 reports (covering 2006) were tabled in Parliament for 15 of the 18 provinces. The Minister's speech acknowledged AusAID's assistance in reaching this milestone. The reports have been well received by government and opposition MPs, with many becoming aware of the existence of the s119 requirements for the first time.

Improved timeliness of tabling is now the priority – performance reports for 2007 were tabled in May 2011, and tabling of 2008 reports is expected by November 2011. DPLGA, with SNS assistance, is working towards tabling the 2011 s119 within the timeframe of December 2012.

DPLGA is now focused on improving the operation and profile of s119 reporting systems, improving data quality and timeliness of reports. A performance monitoring and reporting tool (incorporating s119,) aimed at improving the collection, timeliness and use of performance data in the provinces, is being developed and is currently being piloted in 7 provinces with the intent to rollout the tool to further provinces in 2012.

7 Efficiency

All SNS activities have taken a 'Value for Money' approach. The costs of advisers, has been kept to reasonable levels through effective recruitment and contract negotiation. SNS advisers' total remuneration were well below limits set by the Adviser Remuneration Framework (ARF) prior to its release in February 2011. The use of PNG advisers has not only been efficient in terms of cost but has proven to be effective and more sustainable (see Appendix 3).

SNS has consistently used GoPNG systems and avoided duplication wherever practical. This has lowered the costs for GoPNG and contributed to strengthening systems.

One issue that did hamper SNS efficiency was the high turnover of AusAID officers during the life of the Program. From June 2007 through May 2011 four AusAID Minister Counsellors were incumbent, (three substantive and one acting) and six SNS Program Directors (formerly Senior Development Specialists) led the Program. This high turnover rate caused delays in decision making, activity implementation, changes in focus and confusion for GoPNG counterparts. AusAID has proposed a joint AusAID – Service Provider management framework and principles, to be reviewed annually, to manage and minimise negative impacts of Program turnover. Appendix 1 provides a matrix of Issues and Actions with responsibilities and timelines identified in this Program Completion Report.

8 ISP Scope of Services

The SNS-ISP contract Scope of Services consisted of seven specified functions. The annual IRT rated the ISP against each of these contractual obligations. The ISP was awarded 100% performance payment during each of its four assessments indicating that it fulfilled Scope of Service obligations to a more than satisfactory level. The ISP acknowledges that each IRT made important recommendations to improve the ISP's systems and performance. IRT recommendations were generally accepted and most were built into revised management practices.

Program Planning

The SNS Annual Program Plan was shaped by lessons learned and shared experiences since the SNI program commenced in 2004. The APPs were developed by the ISP following consultation with SNS stakeholders. Rather than separate planning meetings, the ISP used scheduled SNS Program events where GoPNG stakeholders, AusAID officers and the ISP agreed on activities. This approach minimised the financial and opportunity costs for stakeholders of separate planning meetings. Where additional information was required, consultation was held with stakeholders individually.

SNS was designed to be flexible. The ISP responded to emerging initiatives as requested. Variations of planned activities are reported in Six Monthly Progress Reports. Approvals for emerging activities are sought through the PPII Secretariat (PPII activities) and/or through AusAID tasking notes. Analysis of tasking notes is detailed at Appendix 4).

Expenditure has been reported through quarterly ISP financial reports with variations between actual and budgeted expenditure highlighted and explained.

Case Study

Use of Papua New Guinea Advisers

James Ogia is one of a growing number of Papua New Guinean advisers who are part of AusAID's Sub National Strategy. James is a former teacher and provincial education bureaucrat who joined the Sub National Initiative⁹ in 2007 as the Corporate Plan Implementation Adviser for West Sepik Province. His role is to work with the Provincial Management Team to implement public sector reforms and improve service delivery to the people of West Sepik.

James is part of a provincial team committed to improving services in West Sepik Province that have introduced several measures to demonstrate this commitment. The province has used funds from the National Government to increase air charters to remote "air locked" districts. This has meant school materials, medical supplies and pay cheques for government staff can be delivered. Roads have been upgraded which has meant more travel and links between districts and the provincial centre in Vanimo. AusAID incentive funds have been used to install VSAT in districts and high frequency radios to some local level governments to improve communications. The Province upgraded lighting at the airport terminal so that aircraft can overnight in Vanimo. This has improved air links with Port Moresby. The police and Defence Force received vehicles to support their work, the Provincial AIDS Council is operational and district disaster plans are in place.

James has provided culturally appropriate support to the West Sepik Provincial Management Team by coordinating resources delivered through a number of AusAID supported reform programs. He is an excellent example of what a skilled adviser can achieve working with a motivated team of public servants.

Case Study

Use of Pacific Regional Advisers

Hamlison Bulu is a former Justice of the Supreme Court and Attorney General in Vanuatu. He is the Legislative Drafting Adviser to the Autonomous Region of Bougainville, engaged under the PNG Sub National Strategy. This is a key advisory position to the Autonomous Bougainville Government as it negotiates with the Government of PNG the transfer of legislative powers in accordance with the Bougainville Peace Agreement and their respective constitutions.

Hamlison also provides general legal counsel to the CEO, Law and Justice and Autonomous Bougainville Government.

Recently the Bougainville administration appointed three young legal officers who will be able to benefit from the advice and mentoring of an experienced Pacific Island jurist and legal practitioner.

⁹ The Sub National Initiative (SNI) was the forerunner of the Sub National Strategy.

Recruitment and Management of Technical Advisers

A detailed summary and analysis of the recruitment and management of advisers is provided at Appendix 3.

Logistics and Administration Support

In the four years June 2007 to May 2011 the ISP arranged and managed more than 2,500 accommodation bookings worth over K2.5 million and booked more than 4,550 airline flights worth over PGK 3,400,000. Sixty-two motor vehicles have been purchased and maintained. The ISP has procured and maintained 120 computers for advisers and ISP staff, complete with computer training, virus protection and data backup.

Capacity Building and Training

SNS focuses on building capacity of national agencies and provincial and district administrations to provide services to the population of PNG. During the period covered by this report, technical advisers (TA) deployment was the predominant support and capacity building methodology. However, the focus on non-adviser technical assistance (NATA) and non-TA initiatives increased through 2010 and 2011. Creative and innovative alternatives to advisers implemented by SNS included provincial exchanges, work placements, monitoring and evaluation training in Australia for DPLGA and Provincial staff, and facilitation of provincial officer attendance at GoPNG provided training where funds were not available.

National stakeholders such as DPLGA and NEFC have increasingly demanded longer term non-TA capacity building support to sustain the reforms they implemented with SNS support. The trend has been towards requests for NATA and non-TA capacity building activities such as training, workplace exchange programs, formal tertiary education opportunities and on-the-job experiential learning opportunities. This has been an encouraging outcome for SNS as international development experience shows¹⁰ that demand-driven capacity building activities are more effective and sustainable.

The ISP introduced a SNS Capacity Building Strategy and Framework (see Appendix 9) in 2009 to guide the SNS program's approach to capacity development. The Strategy articulated the SNS approach to strengthening capability of Advisers to:

- effectively support existing GoPNG systems and processes to improve client performance and service delivery at Sub National level;
- strengthen capability of Advisers to build capacity of client functions and enhance the skills of organization partners, to perform roles effectively;
- expand and maintain the skills of Advisers for the process of capacity development; and
- enhance capability in areas of special interest to SNS outcomes.

The ISP noted that the quality of adviser reporting on capacity building activities improved following the introduction of Strategy and Framework.

10 1.The Paris Declaration recognises that improvements in developing country capacity (sic need to be demand driven) to lead the development agenda are essential to making aid more effective. Improving the quality of capacity development is now widely recognised as one of the most pressing aid effectiveness challenges. For too long, donors have taken a very technical approach to capacity development, assuming that skills and knowledge can readily be transplanted. It is now widely recognised that effective assistance needs to be carefully tailored to country conditions, taking into account the political environment and the incentives working for and against change.

2.2009 Asia-Pacific Aid Effectiveness Portal

3. Steffensen, J. and Larsen, H. F., 2005, Conceptual Basis for Performance Based Grant Systems and Selected International Experiences', Background Paper, National Stakeholder Workshop, 31 May, Kathmandu

http://www.uncdf.org/english/local_development/uploads/other/uncdf_nepal-int2005.pdf

This paper discusses performance-based grant systems, including capacity building grants. The paper recommends a mixture of supply-driven and demand-driven approaches for local government capacity building in developing countries: "In order to concentrate the institutional-strengthening incentive, and for efficiency reasons".

4. Extract From - CAPACITY BUILDING IN AFRICA: AN OED EVALUATION OF WORLD BANK SUPPORT - Changes to approaches to capacity building (by the World Bank) are relevant because they recognize that capacity building is a long-term process requiring a systemic approach, that is demand driven for improved public sector performance

Funds Management

Appendix 6 provides a detailed reconciliation of ISP funds. Appendix 7 provides a detailed reconciliation of funds provided for PPII incentive payments and Appendix 8 for the GIF.

The ISP was responsible for the ongoing financial management of 16 SNS accounts including:

PPII Incentive Trust Funds:

- 1 PPII Head Trust Account

PPII Phase 2 Accounts

- 2 Central Province
- 3 East New Britain
- 4 Eastern Highlands
- 5 Milne Bay and
- 6 West Sepik Province; and

PPII Phase 1 Accounts

- 7 Madang
- 8 Manus
- 9 Morobe
- 10 Simbu
- 11 West New Britain

Analysis of SNS PPII Incentive Payments (2005-2011)

During the pilot phase of the SNS (which was called the Sub National Initiative) there were three pilot provinces, Central, Eastern Highlands and East New Britain. These provinces each received annual incentive payments of K1,000,000 for the years 2005 and 2006. The SNS began in 2007 and the balance of unspent funds for these provinces at the end of 2006 was carried over in to the new program. These provinces are now Phase II provinces under the SNS Program and the figures in the analysis below include the balances from the funds carried over from this pilot phase.

For Phase II Provinces – Expenditure against incentive payments are on average: 74% for Central, 82% for East New Britain and 84% for Eastern Highlands. The other provinces in Phase II include Milne Bay 60% and Saundaun 74%. This gives an overall expenditure against incentive payments for the Phase II provinces averaging approximately 74%. The lower expenditure percentage overall is due to the delayed incentive payments of 2010 and 2011 which were only paid in June 2011 when the Head Trust was moved to DPLGA from DNPM.

For Phase 1 Provinces, most received their incentive payments late and have not yet commenced their activity implementation. The two continuing Phase I provinces include Simbu whose overall expenditure over incentive allocation was 50% and West New Britain 100%. Both these two provinces had issues with management of their trust accounts and were suspended and later lifted when the provinces addressed the issues raised. The other new provinces in Phase I that received their first incentive payment of K500,000 but not yet commenced implementation include Madang, Morobe and

Manus. Others in the pipeline to receive incentive payments when their account mechanisms are finalised include New Ireland, Enga and East Sepik.

The reconciled balance as at 18 July 2011 for all PPII Trust Accounts stands at K5,080,528 and the reconciled balance for the Head Trust Account as at 18 July 2011 stands at K6,729,704.

The Summary of Sources and Application of Funds through the GIF Main Trust Account shows the funds received into the GIF Main account from 2004 to 2011. The balance carried over from 2004-2006 and available at the beginning of 2007 was K4,073,992. This combined with receipts during the years 2007 to 2011 amounted to K69,577,713 while payments totaled K68,513,230 leaving a reconciled balance of K1,064,484 as at 31 May 2011.

Appendix 7 summarises PPII Incentive Payments for the Program life.

Governance Implementation Fund (GIF) Accounts

- 12 Governance Implementation Fund (GIF) Main Account
- 13 GIF Provincial Administration Subsidiary Account (ABG)
- 14 GIF BPRO Subsidiary Account (NCOBA)

Implementing Service Provider Accounts

- 15 Program Implementation Personnel and Procurement (PIPP) Account
- 16 ISP Operating Account

PPII phase I provinces hold a subsidiary account and phase II provinces a trust account under the provisions of the Public Finance (Management) Act 1995 (PFMA), established by Trust Instrument and subject to the terms and conditions of a formal Funding Agreement. The Funding Agreement is between the respective province and the ISP.

SNS incentive funds for PPII are deposited directly into the head trust account, held by the Department of National Planning and Monitoring (DNPM). The funds are then transferred to provincial accounts and expended on projects in the province's annual plan. PPII funds are accounted for under the GoPNG PGAS accounting system. The trust accounts are managed by provincial officers. Typically, the Provincial Administrator, a Deputy Provincial Administrator and the Provincial Treasurer are signatories to the account, with any two to sign on cheques. The ISP is not a signatory. However, a term of the funding agreement provides the ISP Team Leader with the power to freeze the trust account in the event of unresolved irregularities.

Following substantial difficulties getting DNPM to transfer funds from the Head Trust Account to provincial accounts, the PPII Steering Committee resolved that the custody of the PPII Head Trust account be transferred from DNPM to DPLGA.

The ISP has implemented a program of Trust Account management which combines internal audits conducted by the ISP and external audits contracted to professional accounting firms. This audit program is supplemented by capacity building for provincial finance staff, provided by both the ISP and the SNS Budget and Finance team of advisers. While the use of GoPNG systems has caused some irregularities, these were all resolved satisfactorily before the ISP contracted ended.

Establishment and Management of Trust Accounts

The establishment and management of Trust Accounts remains a challenge for GoPNG, bilateral donor and multilateral Sector Wide Approach (SWaP) Accounts. The challenges of prudent Trust Account management will be exacerbated in the future as unprecedented mineral resource income flows through GoPNG Trust Accounts.

The SNS Program supports GoPNG to improve Trust Account governance and accountability through the Provincial Performance Improvement Initiative (PPII) and Bougainville's Governance Implementation Fund (GIF) Trust Accounts. One of SNS's key objectives is the use and improvement of GoPNG systems to deliver the Program. GIF and PPII funding support key GoPNG development interventions by using Trust Accounts as capacity building mechanisms for finance systems as well as the means to receive and disburse development partner funds to improve the delivery of services to the population of PNG.

The SNI supported, PPII pilot project commenced in 2004 with incentive funding made available to three provinces (Central, East New Britain and Eastern Highlands). Trust Accounts were established for these provinces using the Public Finance Management Act (PFMA) processes and the PNG Government Accounting System (PGAS). Coffey International Development assumed responsibility for three additional trust accounts for SNI when it assumed responsibility for GIF in 2006. The PPII program has continued to expand with four additional provinces in 2008, three more provinces in 2010 and another three in 2011 bringing the total to 16 SNS trust accounts.

The challenge of managing this growing number of trust accounts is well documented. The approach taken in working closely with GoPNG through the Trust Section and Internal Audit Division within the Department of Finance and other donor funded programs, including the UNDP funded PCaB program, has proven to be effective with minimum irregularities in Trust Fund expenditure. SNS has strengthened financial governance by implementing an internal audit process and encouraging a culture where internal audit is seen as an effective risk management tool rather than compliance or policing activities.

The management of PPII and GIF Trust Funds is vested with Provincial Treasuries. Technical Advisory support is provided by SNS using PNG financial experts, employed as Budget and Finance Advisors for provincial administrations. This capacity building approach has resulted in improved financial management practices with financial skills transferred to provincial counterparts over time.

While the challenges faced by provincial administrations for prudent management of Trust Accounts are many and varied, the approach taken by the SNS Program in utilising and strengthening existing GoPNG systems and PNG Advisers is promoting sustainability of the Program. This should be the way forward in the use of development partner funds to not only deliver funds to improve services but improve GoPNG systems and processes so that it can continue to deliver services after aid money stops flowing.

Research, Information Gathering & Dissemination

The ISP has been responsible for program research, lessons learnt and information gathering and dissemination. This mostly falls into two categories: Briefs and Information to AusAID and Lessons Learnt. The ISP has provided AusAID with a number of information briefs and recommendation papers over the life of the SNS-ISP Contract. Synopsis of these briefs are provided at Appendix 5.

Performance Management & Assessment of Technical Advisers

A structured Performance Management Strategy has been developed which provides a framework for performance and measurement of all Technical Assistance engaged on the Program.

The ISP has implemented a robust performance management system incorporating six monthly performance reviews and an annual formal performance assessment in line with AusAID's new policy - Contractor and Adviser Performance Assessments - Guideline. Performance assessments are conducted in consultation with counterparts and AusAID.

Regular performance assessment provides an opportunity to talk about achievements, and career and skill development, identification of training and/or reinforcement needs, with a view to continuous improvement. This process ensures that all advisers receive regular feedback while at the same time providing a mechanism to address outstanding performance issues.

9 Impact and Sustainability

Gender

The SNS Strategy uses a mainstreaming approach, which includes specific programming to support women's empowerment. This is a necessary process for achieving both gender equality and other policy goals in the most effective and efficient manner. The norm for gender mainstreaming planning and implementation is gender responsiveness, which should be put to the test by PMT/DMTs, line managers and administration staff on a daily basis. In addition, gender equality must become a constituent category in the implementation and evaluation of institutions, policies, programs and projects.

2008

- Introductory session on gender conducted with the ISP management and support team. This results in ISP updating its procedure manuals to ensure that gender considerations are incorporated into their operations and activity management.
- Extensive discussions with stakeholders on how gender can be included in service delivery administration at the sub-national level. Awareness raising sessions with key stakeholders on the relevance of Gender in planning and delivering services.
- A consensus has been built around Gender as an acceptable topic for discussion; gender presentations were followed up with an invitation for more detail; senior government officers discuss the relevance and importance of gender to service delivery.
- SNS gender work is recognised as a vehicle that can be used by other donor agencies such as UNIFEM Pacific in their Gender Equality Political Governance and Market Improvement Program;
- PPII engages Gender in a broad spectrum of cross-cutting activities, such as ENB Gender workshops and the DPLGA Capacity Building Division including Gender in its 2009 Work plan;
- Preparation and distribution of education/training materials on Gender concepts. The materials are used with selected stakeholders (SNS Advisers, Provincial Planners, Provincial Legal Officers, and Provincial Administrations – EHP, ENBP and Sandaun).
- Input to Gender Policy formulation at the national level; and Discussions on Research topics for NRI to build a substantive case for gender as a point of analysis for improving service delivery.

2009

- The interface between gender and public administration to link gender inputs into improved service delivery mechanisms continues to strengthen. Gender continues to gain coverage and depth in the PPII Program and DPLGA senior management involvement is increasing. Individual GoPNG public servants have shown interest in moving beyond gender awareness and women's empowerment activities to gender analysis.
- ISP management raises cross-cutting issues including gender during adviser interviews, appraisals and workshops.
- Gender work emphasizes gender education and implementation with the aim to up-skill the advisory functional teams and GoPNG counterparts. The AusAID Gender Stock take findings for 2009 reported that SNS Gender Activities have increased significantly.

- Gender activities are linked to the Monitoring and Evaluation Framework.
- Guidelines developed for Provincial Gender Strategies, and a half day workshop conducted on Gender and Decentralisation in PNG.
- The Gender Adviser and the Sandaun CPIA worked with the Sandaun PMT to recognise the potential of women applicants during recruitment and there are now four female Provincial Management Team members.
- Gender and leadership training delivered to women leaders in Pomio District and gender training for Pomio District Administration Staff.

2010

- The very popular and effective SNS Gender Adviser, Mrs Enaha Kwa, died in March 2010. Enaha was much loved by all of the SNS Program. She was a warm and energetic person who was able to disseminate the gender equality message across a wide variety of SNS stakeholders; many of whom came to understand the importance of gender equality for social and economic development for the first time.
- The recruitment and selection process of a Gender Adviser was delayed owing to the ISP's contractual issues and the TA review. Final panel interviews for a replacement were held in November 2010. The newly appointed Gender Adviser commenced in February 2011.

The way forward

- Strengthen corporate and implementation capacity of sub-national government to deliver services by creating gender awareness at sub-national level of PNG's Gender Strategy.
- Gender Scoping to be conducted in 6 pilot provinces – Sandaun, ENB, Madang, Central, SHP and AROB. Encouraging/supporting women's involvement in leadership/decision making in provinces and districts, this is to be piloted in 6 provinces.
- Strengthen Demand for Service Delivery Improvements with particular focus on using research and gender analysis to understand differing impacts of service delivery on men, women, girls and boys. Provide baseline disaggregated data through Monitoring and Evaluation templates that reflect Gender activities in province.
- Establishment of Gender Focal Points in provinces under Community Development Division. Strengthen and support CDOs through capacity building programs.

Environmental Impact

AusAID's Environmental Management Guide for Australia's Aid program (2003) is the basis for incorporating environmental impact considerations into SNS program activities. Induction folders for all team members includes information on environmental impacts and development so that this can be readily sourced for implementation activities.

Team members are required to bring environmental considerations to the attention of provincial decision-makers.

Information and Communication Technology (ICT) Support

SNS technical assistance for ICT was provided to PPII Provinces to build capacity in managing the use of information and sound ICT investment decision making.

The objective of ICT support is to equip key decision makers with the necessary tools and skills to effectively perform their roles and responsibilities, contributing to improved service delivery. The effective use of ICT is an integral part of planning, budgeting, monitoring and reporting of performance indicators.

The majority of PPII provinces do not have a Local Area Network (LAN). A number have a “mini” LAN that does not fully address the needs of the administration, such as centralized antivirus management, backups, file sharing and internet/email facilities. West New Britain recently had a LAN implemented with support from the SNS ICT team. Milne Bay is progressing extension of its LAN to service all administration offices with ICT Team support.

Based on learning from earlier provincial engagements, the ICT team implements a simple strategy to support provinces. The plan involves:

- Conducting an initial assessment and/or audit of all ICT assets and databases. ICT priorities identified in the Corporate Plan and Capacity Building Plans are also noted. Priorities are reviewed in conjunction with provinces.
- Analysing and documenting audit results.
- ICT awareness presentations to senior management on:
 - audit findings,
 - cost implications and importance of recurrent budgeting for ICT investments, and
 - ICT procurement and assets management.

Where feasible, a high-level ICT strategic plan is developed in collaboration with management and implementation strategies are developed and funding allocated appropriately.

Training, mentoring and/or capacity building of counterparts is ongoing and as requested. Whilst I.T administrators demonstrate confidence with most aspects of technical support, there is increased need for mentoring with strategic planning and budgeting for ICT.

However, there remain a number of constraints to the progress of ICT improvement. Geographical isolation present ongoing challenges; West Sepik province for example has very limited internet and email services with few local Information Technology service providers. Other provinces have limited human and financial resources devoted to ICT. Senior management awareness is improving, but to date commitment by management to fund and implement ICT is still at varying levels.

ICT infrastructure improvements take time and money to implement. Technical support strategies are evolving to consider simple computer and MS Office training using desktop resources that may be of great benefit to individuals and the organisation.

Lessons Learnt

The ISP has implemented a system to manage issues and challenges through a risk-based and lessons learnt approach. Identifying issues and risks, developing mitigation actions and allocating responsibilities to ISP team members has been a method used in many aspects of the Program. Once issues have been resolved then lessons learnt have been drawn from these experiences and recorded and subsequently reflected in the way the ISP has done business. Updated and improved systems and processes have been the result.

The ISP has divided lessons into two categories: Development and Operational. Development lessons are discussed throughout this report as both case studies and in the analysis of topics requested by AusAID. While there have been many development lessons identified, four main themes have emerged:

- Capacity is built with and through Papua New Guinean people and systems;
- Capacity is better sustained if it is embraced and fostered by Papua New Guineans;
- Progress towards sustainable outcomes is better when consolidated and embedded, rather than searching for 'quick wins'; and
- Success needs to be documented and shared.

A summary of operational lessons learnt is presented in Appendix 12. From these lessons it can be seen that the ISP approach to management needed to be flexible and responsive to emerging issues and needs. The diversity of the program and working in new areas and aspects of governance reform and management in PNG means that a continual learning process needs to be adopted. The main areas where active learning takes place under the operational aspects of the program has been in logistics and the recruitment and management of Advisers. An expanding program requires new personnel and advisers to be recruited. It requires more sophisticated systems and procedures to manage increased demands in a more complex environments. There also needs to be more capabilities in the personal charged to manage an expanding program and its support structures. The ISP itself has undergone its own organisational development stages to meet the requirements of the expanding SNS program. As with any organisational expansion and change there will be developmental challenges and "growing pains". Given that Logistics and Recruitment and Management of Advisers are the largest part of ISP core business, it is understandable that most of the significant operational lessons learnt have been in these two areas.

Obstacles to Implementation

The flexible nature of the Program meant that 'good ideas' were quickly implemented, sometimes without thorough analysis of the resources and management required for success. The District Executive Development Program (DEDP) was an example of a supply driven training program which was not adequately resourced. Only two out of fifty participants successfully completed this Program.

The rapid growth of the Program caused tensions as the ISP was challenged to efficiently meet all stakeholders' expectations.

As discussed above the high turnover of AusAID senior officers caused delays in decision making, activity implementation, changes in focus and some confusion; this issue has been substantially resolved.

The tragic death of the Gender Adviser in March 2010 caused a delay in implementation of many important gender equality initiatives. The mobilisation of a Gender Adviser in February 2011 has restarted the momentum of gender equality initiatives.

The ISP's contract was based on recruitment and management of technical advisers it did not contemplate the level of management resources which are required to effectively implement and monitor NATA and non-TA capacity building activities. ISP requests for additional resources to manage the evolving focus of the Program were initially rejected by AusAID (see Appendix 5 – ISP Management Structure, August 2008). However, a process of continuous dialogue resulted in a Capacity Effectiveness Coordinator being employed in July 2009 to manage the implementation of NATA and non-TA capacity building activities. In February 2011, AusAID agreed to a substantial salary increase for the position of Development Coordinator so that a Locally Engaged Staff (LES) with M&E skills could be recruited to monitor and evaluate NATA and non-TA activities.

The use of Papua New Guinean advisers and ISP managers has made the Program effective and sustainable, however at times it has been at the cost of well written reports. English is a second, third or sometimes fourth language for Papua New Guineans and AusAID reporting standards and expectations are a challenge to many. The next phase of SNS would benefit from an alternate approach to reporting. A change from narrative descriptions to charts, tables and diagrams would be a benefit to the Program.

The lack of sufficient Monitoring and Evaluation resources throughout the Program meant that not all lessons were captured or rigorously analysed.

Major flood devastation in Oro province at the end of 2007 held back progress in the province. A Corporate Plan Implementation Adviser (CPIA) for the province was recruited and inducted by the ISP but could not be mobilised as the focus of the provincial management team shifted from service delivery to humanitarian assistance and disaster management. This followed with restoration activities in the province up to 2010. The CPIA was finally released from the program and PPII engagement in the province was withdrawn until 2010.

At the end of 2008, a CPIA for Simbu province ended his advisory assignment prematurely due to physical confrontation and threats to his personal safety. The CPIA insisted on adherence to PPII Incentive Funding Agreements. However, provincial governance systems were poorly enforced and officers were used to breaching financial procedures. PPII is a program that uses an incentive-based approach towards performance improvement in service delivery, annual financial awards in trust accounts of PPII provinces cannot be applied outside of agreed priorities. This was the case in Simbu province. Since the withdrawal of the adviser, PPII's engagement in the province was stalled until towards the end of 2010.

The SNS Program has been successful in supporting GoPNG reform initiatives,

Acquittal of Program Funds

A full reconciliation and acquittal of Program Funds is provided in the appendices:

Appendix 6 ISP Account Reconciliation

Appendix 7 PPII Trust Funds Reconciliation

Appendix 8 GIF Trust Funds Reconciliation

Analytical Diagnosis

AusAID has specifically requested the ISP to analyse a number of specific issues which are discussed in detail in rose coloured text boxes throughout the body of this Program Completion Report. The following are conclusions or recommendations for each of these issues.

1. A comparison between fly-in fly out advisers and advisers on location in relation to their costs and amount of input time spent with provincial clients;
2. Lessons on providing better targeted and tailored support to provincial clients
3. Recommendations on balancing national and sub-national stakeholder demands;
4. A critical assessment – in terms of technical advice, team management and cost – of the team leader model and frameworks for adviser teams;
5. An assessment of previous approaches to monitoring capacity building (including non-advisory technical assistance (NATA) and the integration of NATA and advisory technical assistance into one capacity development approach;
6. An assessment of the role, value and risks of provincial capacity building plans;
7. An assessment of the role, value and risks of provincial funding agreements;
8. Advice on better approaches to articulating impact and lessons from the local level for monitoring and evaluation; and
9. Advice on underpinning principles that the program needs to articulate and own to guide implementation of a flexible and responsive program, and a means of monitoring program management against these.

These issues are analysed in detail below.

1 A comparison between PPII fly-in fly-out advisers and in-situ advisers

PPII uses a combination of advisers based full time in provinces and fly-in fly-out (FIFO) advisers and consideration of which is the more cost effective model and which achieves greatest impact follows.

The level of demand for PPII advisers has surpassed the number of advisers available. Increasing demand has coincided with a cap of 32 PPII/DPLGA advisers as a consequence of the 2010 TA Review. FIFO advisers can continue to build capacity across two or three provinces. The ISP has examined this issue and has determined that there is no clear cut answer to which model achieves better results. TA outcomes depend on:

- the provincial administration commitment to adviser placement and intended outcomes;
- the nature of the modality;
- the stage of capacity development in the province;
- the skills of the adviser;
- availability of residential and office accommodation;
- frequency and timing of airline flights; and most importantly
- leadership within the provincial administration to drive reform.

In the complex environment of PNG's decentralised system of government, no two provinces are alike and the response to capacity building support should remain flexible, demand driven and allow for a tailored and adaptive approach for each province. Assessment of type of advisory assistance should be undertaken as part of a capacity diagnostic process conducted by the province, DPLGA and the Service Provider. The key issues to be considered when determining whether to place in situ advisers or use FIFO ones are:

- the level of demand versus the available adviser resources;
- the potential for effective capacity to be built;
- what other capacity building assistance (PPII and other) is already supporting the province;
- the frequency and duration of travel which advisers can be expected to undertake;
- the contribution FIFO advisers make to the Program when they are working at DPGLA;
- financial cost of travel versus benefits using scarce adviser resources across multiple provinces; and
- the availability of secure residential accommodation in the province.

Each model offers advantages:

- A full time adviser in a province that is beginning to develop a reform culture may be a wasted resource.
- Essential relationships are built faster when advisers are full time in a province.
- Counterparts can develop dependency on full time advisers, which lowers rather than builds capacity.
- FIFO advisers can support the beginnings of change on a periodic basis.
- Some provinces have multiple donor funded capacity building initiatives and duplication exists.
- An employer can only request a person to be away from their home for two-three weeks out of four.

Analysis of the financial costs of FIFO advisers versus in situ advisers is inconclusive. There are too many variables to conduct a cost benefit analysis. Provincially based advisers have costs which FIFO do not; for example subsidised secure accommodation, remote living allowances and cost of travel back to Port Moresby with counterparts and for Adviser workshops. The ISP does not consider the cost of travel to be a major factor in deciding on the use of FIFO advisers. An alternative adviser placement option is when advisers reside in one province but service at least two provinces. This approach has been effective with the HR team.

To date, provinces have requested and based on PLO recommendations the PPII Secretariat has determined whether to grant the request. The ISP was tasked to recruit and mobilise the adviser. Both AusAID and the ISP attend Secretariat meetings and have been part of the discussions.

In conclusion, the approach of placing advisers should be tailored to each province's need and circumstances. PPII does not have the luxury of providing all provinces with all advisory assistance requested. There is a need to maximise the capacity building effectiveness across the whole PPII program. All capacity building resources (advisory and non-advisory) should be used where and how they will achieve the greatest impact.

2 Lessons on providing better targeted and tailored support to provincial clients

Mainstreaming Gender Issues

Incorporating gender equality to service delivery requires changes in attitudes, personal values and beliefs, perceptions and communal acceptance of departure from traditional roles as well as changes to systems, processes and structures. Gender inclusive service delivery demands an experimental approach with specific gender inputs, and preparedness to accept failures. SNS gender inputs have been at a strategic level with proactive mainstreaming. Two provinces have demonstrated the success of this approach with gender equality in recruitment. West Sepik and East New Britain Provincial Administrations have recruited women into decision making positions with three (WSP) and two (ENB) women appointed to Provincial Management Teams.

Capacity Building

SNS has used a facilitative method of capacity building, requiring provinces to articulate local development priorities. Assistance is tailored to local circumstances using three modalities – Advisers, Non Advisory Technical Assistance (NATA) and Non-Technical Assistance. SNS has identified two important values for success in PNG: (i) work to individual's own learning styles and knowledge to gain traction and achieve shared learning objectives; advisers need to provide counterparts with 'space' and demonstrate genuine commitment; and (ii) focus on long term goals, reinforce key messages and jointly assess progress, or lack of progress, towards those goals. SNS has supported a number of NATA and non-TA activities recognising that in an environment characterised by constant change, 'organic growth' and adult learning techniques are essential. Recognition of this has seen a range of non-advisory activities (Peer Reviews, Provincial Exchanges, etc.) evolve over time. The seed of each of these concepts was usually planted in a conversation between two individuals; it then grew in a natural way without management structures or M&E, which with the best intentions may have stifled growth. Only after the non-advisory activity had taken root, did management oversight and M&E strengthen these activities.

Change Management

SNS has adapted to changing environments by being flexible and sensitive to local circumstances; fundamental to successful development partnerships. This flexible approach began in 2004 with the Sub-National Initiative (SNI) when GoPNG did not have a pronounced policy to direct resources to districts and local level governments for service delivery improvements. By 2011 the SNS policy focus was well defined by a number of high level strategic policies including Vision 2050 and the GoA/GoPNG Partnership for Development. Flexibility to adapt to change while maintaining strong focus on desired results is a key to achieving development outcomes. SNS must continue to adapt to the changing environments within agencies to achieve success. For instance, PCMCs are based on the preparedness of a province to monitor service delivery. The PLLSMA secretariat can spend more than a year consulting and only establish PCMCs once the province appreciates its purpose and outcomes.

Silence doesn't always indicate agreement; donors and contractors require patience and appreciation of GoPNG administrative limitations. Papua New Guineans know these limitations better and take a long-term view of the journey and are not easily coerced. Reform may become unravelled if

inappropriate pressure is applied. Papua New Guineans are much more aware of the dynamics and are in far more control than may be visibly apparent.

Adviser Placement and Engagement

SNS has used two arrangements for adviser provincial placements; in-situ (provincially-based) and Fly-In Fly-Out based in Port Moresby with scheduled visits to provinces. Both arrangements have had successes and shortcomings. SNS has found that to optimise integration of an Adviser into a Provincial Administration, the request for the Adviser should originate as a 'whole' with support at the corporate level rather than a unilateral request from a single manager or work division. The Provincial Management Team should be involved in identifying and validating the need for technical assistance and be involved in scoping, finalisation of terms of reference, recruitment, selection and placement as well as performance management during the course of the assignment to achieve a comprehensive understanding of the intended role of the Adviser.

Sustainability

SNS has witnessed agencies and provinces that appear accomplished in developing policies, plans and budgets however, implementation is not always effective. While completion of a corporate plan may be subject to celebration, implementation is often fraught with delays owing to resource constraints and competing priorities. Implementation can be ad hoc and positive outcomes, however incremental, are not always acknowledged. This issue has warranted an SNS wide approach to three underlying principles.

- (i) Where blockages exist, identify opportunities to intervene and work with local champions to develop a shared understanding. Support him/her to undo the blockages in a practical way while paying attention to internal and external sensitivities. Advisers, AusAID and the ISP need to work in the background demonstrating that the champion owns the solution and the outcome. Advisers can achieve this by reinforcing key messages and reviewing previous work to promote shared purpose with the champion and other key agency staff (KAS).
- (ii) Support must be provided at a level and pace that is consistent with provincial capacity and resources. Advisers help agencies to achieve goals however they must avoid becoming doers rather than developing capacity. It is important to use approaches which allow KAS to be responsible. For example, SNS advisers assisted with the preparation for provincial trips to establish PCMCs but did not attend the meetings; KAS took responsibility for presentations and maintained ownership.
- (iii) It is important to work strategically with provinces on improved service delivery while recognising that each province responds in different ways to the same issues, contextualised to local circumstances.

Delivery of frontline services

Some districts are more pro-active than others, and as a result progress is visible, often due to local leadership. Although good systems and processes may be in place, service delivery continues to suffer as a result of poor performance. Improved performance requires good leadership. Good leaders espouse the values of public good and value. Their personal and professional conduct promotes discipline and high performance of state institutions and empowers nation building. It is much easier to

implement 5YDPs if leadership exists at district and LLG levels and political leaders can see the benefits to their districts when 5YDPs are implemented successfully.

Provincial and Local-level Governments have limited financial, technical and human resource capacity to meet service delivery responsibilities. This is often compounded by confusion over divided responsibilities in service delivery between national and sub-national levels of governments. An example is the Community Development Sector where services relating to child and family welfare, civil registration, women's development, disability services, community economics, literacy and sport are supposed to be delivered by Provincial Governments. In reality, NGOs, FBOs and CBOs are relied upon to deliver most programs and services.

Fostering Partnerships for success

One of SNS's underlying principles is effective partnerships. Establishing partnerships in the PNG context can take considerable time and effort and can be hampered by third-party sources of information. As a prerequisite an element of trust must exist. The ISP notes that partnerships take root from conversations between individuals. From conversations, perceptions are formed and partnerships are shaped, based on perceptions held by individuals. It is important to note that PNG workplace settings thrive on gossip and personalities.

Advisers are major agents of SNS partnerships with GoPNG stakeholders. They are the vanguards who interact on an on-going basis with individuals in host agencies. Personal attitude and conduct will be closely scrutinised. Advisers are in positions of influence and it is important that they role model attitudes, behaviour and professionalism in punctuality, personnel attire, relationships, work attitude and other personal behaviour.

Model professional behaviour can contribute to successful partnerships. This includes working with other advisers in collaborative ways, having equal relationships with all staff, regardless of position or gender, and reinforcing timeliness, professionalism and use of existing processes. Above all, they must respect other ways of life, ways of thinking and behaviour in different environments, including social contexts. This will lead to gaining and sustaining political buy-in for institutional change processes as a key to partnership success. Some practical tips for technical advisers that the ISP emphasizes during team member induction include:

- (i) Never tell counterparts directly how to go about doing things. Always explain or illustrate an idea or different ways of achieving desired results. Extend an invitation to counterparts to consider a different approach to a task. If the counterpart is resistant, consider escalating to more senior officers to direct counterpart rather than an adviser directly instructing counterparts to create differences;
- (ii) Identifying an entry point is crucial for effective engagement. Counter-parts tend to be more receptive and work better with advisers if they understand local perspectives as entry points for engagement;
- (iii) It is important to highlight issues (i.e. Human Resources) facing the provinces by raising awareness of the impact those issues have on the provinces and the importance of addressing those issues;
- (iv) There is a need to for Advisers to clearly articulate their roles and responsibilities when interacting with officials within the agency and other stakeholders. Counterparts may regard SNS Advisers as AusAID officers and seek to access other AusAID programs, and

- (v) Always ensure that ownership of improvements/changes to systems, processes and service delivery is attributed to the Provincial Administration. Give credit where appropriate.

Information dissemination by SNS stakeholders

In the first phase of SNS, a need for enhanced information dissemination has been noted on three fronts:

- i. National government development objectives, strategies and policies for service delivery sectors down to districts and LLGs. GoPNG stakeholders need an overview and understanding of the national government priorities and linkages to provincial planning and budgeting processes. This extends to clarity of roles and functions to be performed. District and LLG managers generally lack a clear understanding of roles and responsibilities in relation to their responsibilities to deliver services.
- ii. GoPNG stakeholders at the three levels of decentralised service delivery need a better understanding of GoPNG financial systems officer accountability, including how donor assistance is linked to PNG's development budget and programs.
- iii. A need exists to improve data collection and management processes across the public service at national and sub-national levels. SNS should continue to identify opportunities to encourage information sharing. One concept which SNS should consider is supporting DPLGA to circulate CDs that contain relevant public sector information (forms, checklists, planning documents, policy documents, minimum standards, extension material etc) for distribution to Provincial, District and Local-level Governments.

3 Recommendations on balancing national and sub-national stakeholder demands

The following are key areas with relevant recommendations on balancing national and sub-national stakeholder demands.

National stakeholder demands are in two major categories:

- I. Technical support to strengthen key areas such as, performance management and reporting, monitoring and evaluation, financial management, data collection and analysis, legal and policy issues, including taxation and revenue, power-sharing and wealth distribution (inter-governmental financing)
- II. Budgetary support to meet operational expenses such as logistics for meetings, conference and workshops, capacity building and training and program implementation, including reviews, re-designs, monitoring and evaluation and procurement of goods and services. This involves contracting of consultants.

Sub-national stakeholder demands are similar in many respects to demands from national stakeholders but with some specific areas:

- I. Technical support to strengthen key areas such as, program implementation, performance management and reporting, monitoring and evaluation, financial management, data collection and analysis, disaster management, humanitarian assistance and restoration of services and limited legal and policy issues insofar as taxation and revenue collection.
- II. Budgetary support to meet mainly capacity building and training needs, and procurement of goods and services – mainly office tools and equipment such as, communication systems, computers, overhead projectors, etc.

To balance these demands, based on experiences to-date, three major recommendations are:

- I. The SNS Program concentrates its efforts through a selective engagement in program implementation. This involves working through three departments and two agencies at the national level and one major agency at the sub-national level. The three departments at the national level are: the Department of Prime Minister and Cabinet, Department of Personnel Management and of course, Department of Provincial and Local Government Affairs. The two agencies at the national level are Provincial & Local Level Services Monitoring Authority (PLLSMA) and the National Economic & Fiscal Commission (NEFC). The agency at the sub-national level is Provincial Coordination & Monitoring Committees (PCMC).
- II. SNS program considers scaling down on technical assistance with a small, targeted and highly focused field for advisory support while a broader non-advisory assistance with a suite of tailored packages is developed and implemented. The field of technical assistance can comprise only

three crucial groups of functional advisory teams – Corporate Management Advisers, Budget and Finance Advisers and Human Resource Advisers.

- III. That the program's NATA and non-advisory package of assistance comprise all the current activities that are being implemented but must include concrete alliances with local agencies, including private sector networks with a marked departure from on-going use of training and capacity building consultants from abroad. The management of these non-advisory capacity building initiatives must be adequately resourced.

4 A critical assessment of the Lead Adviser Model as a framework for adviser teams

SNS is a complex program supporting 19 departments, agencies and provinces with advisers that have expertise in 16 professional fields. The concept of “Lead Adviser” was proposed in September 2007, when it was identified that teams of advisers supporting provinces needed coordination points for their work, particularly where many advisers focused on a specific organization or technical stream. Lead Advisers were initially only to have technical role to ensure consistency of advice. More recently Lead Advisers have had input to performance management as they have a closer relationship with key counterparts and understand changing demands.

Lead Adviser roles were created for the Finance, HRM Team and ICT Teams. The NEFC Strategic Management Adviser became the Lead for NEFC, the PLLSMA Adviser for the team supporting DPLGA's Performance Monitoring Division (PMD) and the Policy Adviser for DPLGA's Legal and Policy Division. The Lead Adviser:

- Coordination to ensure all team members are aware of current priorities, ensure a collaborative approach, that clear direction is established for counterparts and inconsistency is addressed in a timely manner.
- Facilitate the Team Work Plan, which identifies performance goals and measures and allocate responsibilities which is then reflected in individual Adviser Work Plans against which they report.
- Prepare team reports where required.
- Have input to the TL, DTL and HR Manager to identify performance issues which require action.
- Provide a liaison role with stakeholders, identifying priorities and directions.
- Liaise with the ISP Management Team on technical and strategic matters.
- Contribute to SNS, PPII, GIF and other planning activities.
- Liaison with SNS Program advisers including the Gender Adviser and Capacity Building Adviser.
- Contribute to SNS Monitoring and Evaluation for respective functional areas.
- Assist GoPNG, SNS and ISP to plan advisory inputs and to identify capacity building opportunities.
- Work with other lead advisers and AusAID to ensure coherence of activities and policy consistency.

The ISP Management Team meets monthly with Lead Advisers to discuss issues and review plans, proposed activities and identify opportunities for synergy in cross-team activities. This group also acts as an early warning for emerging risks to the SNS program.

Lead advisers receive a remuneration premium of between 10% and 20% over team members. This has not had material impact on SNS costs, as most lead advisers are Papua New Guineans whose salary is based on the PNG market rather than the international wages paid to expatriates. The benefits of this role far outweigh the marginal costs. In addition to the individual adviser reporting, Lead Advisers prepare quarterly team reports, providing a summary of achievements against planned activities and identify where advisers have worked together to achieve positive outcomes. This reporting informs the wider SNS program and focuses the Lead Adviser on their program Coordination role and identifies blockages in capacity development.

Lead advisers have developed effective relationships with GoPNG National Agencies and use their networks to unblock system issues. The HR Lead Adviser is a former DPM officer and regularly holds

high level discussions with DPM senior management (see ENB HRM Case Study). This coordination and communication role is fundamental to SNS success and could not have been achieved by 4-6 individual HRM advisers. The Lead Finance Adviser has been extremely effective in working as a conduit between Provincial Administrations and the Departments of Finance and Treasury.

Lead Advisers play a key role in coordination across technical advisory inputs, especially for Finance, ICT and HR inputs. They provide a focal point for emerging issues that occur in one province and relay this information to other provinces through the provincially based advisers. This lessons learnt approach and sharing of ideas is integrated into provincially based adviser work plans. The presence of Lead Advisers creates a more strategic view of the issues and requirements across the provinces and between provinces and national agencies. They provide technical and strategic advice to the ISP which then informs the direction and allocation of specific support and resources and requests to AusAID to meet emerging issues. The Lead Advisers also fill gaps in provincial locations in the absence of permanent advisers and mentor less experienced advisers. The additional remuneration for these individuals is far outweighed by the benefits they bring to the Program.

5 An assessment of previous approaches to monitoring capacity building (including non-advisory technical assistance (NATA) and the integration of NATA and advisory technical assistance into one capacity development approach)

SNS use of non-advisory (NATA) and non-TA capacity building approaches is a deliberate effort to introduce more cost-effective and sustainable capacity building methods as an alternative to the use of Advisers. Non-TA capacity building modalities began in 2008 and include counterpart coaching and mentoring, targeted training, provincial exchanges, on-line learning, in-country and overseas scholarships, on the job training, Provincial Administrator Peer Review forums, work placements, seminars, conventions and short-term overseas training.

Due to the lack of ISP M&E resources the assessment of these capacity building approaches has been limited to end of workshop evaluation reports and independent capacity reviews, such as the 2009 Mid Term Review, Independent Review Team (IRT) Reports and Independent M&E Adviser's inputs. One substantial evaluation of the District Executive Development Program (DEDP) was conducted in 2009.

The MTR, the IRT and Independent M&E Adviser have provided valuable assessments of SNS progress. The MTR examined PPII achievements and outcomes and SNS support to national agencies and assessed SNS coherence with other AusAID-funded programs. It also examined a variety of implementation mechanisms and approaches, from TA to use of incentive systems and co-location. M&E Advisor reports have highlighted SNS results at agency level (NEFC & DPLGA), examined changes in PPII approach over time, commented on the link between SNS and broader AusAID programming and analysed SNS performance on cross-cutting themes.

The M&E Adviser has also addressed ongoing challenges faced by SNS relating to its structure and the changing context in PNG. She has asked questions of targeting, the appropriate balance between national and sub national actors and Capacity Building (CB) management issues and analysis of CB approaches, the link between CB inputs and service improvement, and political economy considerations affecting the program.

The absence of an M&E practitioner on the ISP team until February 2011 meant M&E activities have been limited, focusing on activity completion and achievement of results (output level) with less attention to strategic issues, modalities, overall coherence or sustainability. Given the recent engagement of M&E expertise, the ISP is now in a position to implement a more structured monitoring and evaluation framework (MEF) that will be integrated with the DPLGA provincial performance monitoring process. This will involve DPLGA and the provinces in the planning and implementation of an MEF for adviser, NATA and non-TA capacity building approaches. The SNS-SP (previously ISP) will develop an MEF to monitor and evaluate its own contribution to capacity building at the sub-national sector.

Since 2008, capacity improvements, mostly at the individual and organizational levels, have been realized, to varying degrees. However, SNS has faced two main challenges: 1) in equipping partner agencies and provinces with the ability to evaluate their own capacity needs and to deploy strategies that build appropriate and sustained capacity at individual, organisational and system levels and; 2) in effectively integrating NATA and advisory technical assistance into 'one capacity development approach'.

Initially, the non-advisory CB process was seen as a separate source of support from the advisory inputs. However, the ISP has recognized the need for an integrated CB approach, focused on aligning a wider range of CB tools (including advisers) to deliver best results for each stakeholder organisation. This more integrated CB approach places emphasis on understanding of capacity challenges at three levels: individual, organisational and systems; recognizing enabling factors such as incentives, legitimacy, culture, relationships, 'PNG ways' that should be in place to sustain that capacity. Moving forward, this understanding will inform decisions on how to most effectively design and deliver different capacity building approaches for sustainable results.

Key achievements

SNS has made progress in advancing non-TA CB approaches, including: facilitating inter provincial dialogue and information sharing 'best' practices in administration and service delivery. These improvements have contributed to a culture of learning and improvement within PPII provinces. Specific examples include the annual PPII Provincial Administrators Peer Review and provincial exchanges of professional peer groups such as Provincial Lawyers and M&E personnel to strengthen networking and relationships across provincial administrations.

SNS has introduced capacity needs assessment tools and methodologies to facilitate self-assessments for several provinces. Engagement with provinces, national agencies and AusAID in planning and implementation of NATA CB activities has ensured ownership by stakeholders and promotes collaborative working relationships between SNS and other AusAID programs (PSWDP & EPSP) to identify and support non-TA CB initiatives.

The integration of skills, knowledge and insights gained from non-TA CB interventions have improved work outputs at the individual, organisational and system levels. SNS and DPLGA have developed processes and guidelines for planning, implementing and evaluating non-TA CB activities, including Provincial Exchanges. The SNS Capacity Effectiveness Coordinator has worked with each participant, team and organisation to discuss and map out learning objectives and learning strategies, and to plan resources and organisational support required.

Key challenges

To date non-advisory support has largely targeted individual competencies and organisational processes. The challenge for SNS is to systematically work with partner agencies and provinces to address policy, legislative, leadership and organisational culture issues key to enabling an environment of sustained improvement using advisory and non-advisory modalities. Experience suggests that if enabling factors are not effectively addressed, improvements in individual competencies and organisational processes are not likely to have the desired results, in terms of improved public sector performance or enhanced service delivery.

The 2011 IRT noted resistance from some provinces to the non-advisory approach. This resistance appears to be from provinces that have made positive gains in CB through adviser inputs and may be attributed to the misconception that the replacement of adviser based CB will result in a drop in SNS support. SNS will address this through the development of an integrated Capacity Development Framework (commenced in June 2011). The framework will outline a way of thinking about CB options, and provide tools to facilitate decision-making about different forms of support, including NATA, non-advisory and adviser inputs. SNS will provide information on CB advantages and disadvantages in the PNG context to facilitate stakeholder decision-making. SNS's MEF will be modified to reflect the details of the new CB framework. This will allow the ISP to monitor and identify evidence of improved work outputs and organisational processes linked to NATA and non-TA support and allow the ISP to document evidence on the value of alternative forms of CB support.

The effective management and coordination of NATA and non-TA capacity methods in the PPII program rests on the capacity of DPLGA, as the lead agency to oversee performance and capacity development in the provinces. SNS will provide further support to DPLGA to ensure that it has the capacity to oversee CB processes: from diagnostics, to implementation and monitoring and evaluation.

The NATA and non-TA CB support provided by SNS will respond to needs expressed by provinces and partner agencies. Provinces and agencies will adopt a more strategic approach when developing PPII capacity building plans so they are: a) clearly aligned with corporate and development objectives and b) are open to a variety of CB inputs, beyond the traditional reliance on advisers. This should result in a more holistic and strategic approach to capacity building and avoid ad-hoc CB approaches that do not result in sustainable change.

Outstanding Issues

A key outstanding issue is the development of the CB Framework. An integrated framework will provide a structured basis for conceptualizing the SNS approach to CB and resource decisions to support partners' strategic objectives based on lessons learned from SNS, GoPNG, other donor experiences and emerging needs at the sub-national level. A short term adviser has been engaged to develop a framework for DPLGA and provincial administrations to diagnose needs and to evaluate and recommend appropriate CB strategies. The Framework will increase awareness of CB alternatives, options and methods to evaluate approaches to suit specific contexts.

In conclusion, SNS has not, to this point in time, had adequate M&E resources to effectively monitor and evaluate the full range of capacity issues being addressed through the program. The Independent SNS M&E Adviser has provided important insights and analyses but has limited inputs each year and has focused substantially on SNS' overall impact and the Program strategies, rather than detailed M&E of specific capacity building activities and approaches. SNS is also still in the early stages of

integrating NATA and adviser assistance into one capacity development approach. The addition of the M&E Coordinator to the ISP team and the development and implementation of the new CB framework will help to address both of these concerns.

6 Assessment of the Role, Value and Risks of Provincial Capacity Building Plans

Provincial capacity building plans provide focus and a structure to enable provincial governments to deliver capacity building initiatives identified in corporate plans. The plan identifies and records relevant issues and specifies actions to address those issues. It is a dynamic plan which is regularly reviewed by provinces and DPLGA, and is amended to reflect emerging issues in provinces and the environments in which they operate. The following outlines the role, value and risks of provincial capacity building plans.

Role

Capacity building plans are designed to capture activities associated with key result areas (KRAs) of provincial corporate plans that require PPII funding for implementation and allow DPLGA monitoring of provincial implementation. There are other activities within the corporate plan that do not require PPII funding. It is anticipated that once these KRAs are adequately funded and resourced, provinces will be able to strengthen their corporate management systems and processes to effectively deliver development plans and services for their people. The capacity building plans act as a map to guide provinces in their spending of PPII incentive funds on areas which are considered to be weak. Examples of some of the areas capacity building plans aim to address are:

- Strengthen the working relationships between provincial management teams (PMT) and district management teams (DMT) to work together and coordinate effectively.
- Enable the PMT and DMT to work effectively with key stakeholders such as elected leaders, national agencies, civil society and the private sector.
- Improve performance management systems for efficient performance planning, monitoring and reporting by PMTs and DMTs.

For Phase 1 provinces the capacity building plan (including the expenditure plan) functions as a PPII budget through to which expenditure is accounted for.

For Phase 2 provinces the capacity building plan functions as a bridge between the Corporate Plan and the budget. The capacity building plan 'translates' KRAs from the Corporate Plan into activities and costs.

Value

The value of Capacity Building plans is that they help prioritise and focus activities from the broader scope of the Corporate Plans. With priorities identified, provinces are able to focus on implementation and it makes the role of Monitoring and Evaluation more effective. As noted earlier, capacity building plans are reviewed regularly as provincial needs evolve, so do capacity building plans.

Risks

A major risk of capacity building plan risk is that costings are not accurate and therefore budgets will not reflect required funds.

Another risk is that capacity building plans do not take into account implementation capacity. Capacity building plans can be overambitious and when plans are translated to the annual budget, budget credibility is undermined.

Another major risk of capacity building plans is that if they are not properly managed in terms of their approval process and monitoring and evaluation and can be easily manipulated by provinces. This may result in provinces failing to achieve desired outcomes.

Another risk associated with these plans is the timely release of funds for the implementation of activities. Where funds are released late, activities in the capacity building plans can become outdated and there may be a need to revise plans. Such revised plans will need to be approved by the PPII Secretariat and this can be a time consuming process where provinces can become discouraged and lose PPII focus or be impatient and operate outside established processes.

7 Assessment of the Role, Value and Risks of Provincial Funding Agreements

PPII Funding agreements exist between participating provinces and Coffey International Development Pty Ltd as the ISP to the SNS Program with a contractual responsibility for ensuring that PPII incentive based trust accounts are managed in accordance with sound financial management practices. This includes compliance with Public Finances (Management) Act 1995 (and associated Regulations and Guidelines) and individual PPII Funding Agreements. The following outlines the role, value and risks of provincial funding agreements.

Role

The funding agreements set out the obligations of provinces and the ISP. Among other things the agreement obligates the province to "... apply the incentive funds only for the purposes for which they were approved and which are included in the budget and the Implementation Plan." In recognition of these obligations, the ISP implemented a range of measures to monitor and assess PPII Trust Account transactions. These activities are managed in line with the SNS Trust Account Manual and PPII Funding Agreement obligations to ensure that account activities accord with agreed activity plans. An integral part of this work involves engagement with technical advisers, DPLGA and Provincial Treasury officials. The measures used by the ISP to monitor and assess account activity include:

- Engagement through technical advisers;
- Department of Finance and ISP Monthly reporting of account transactions;
- Regular Internal Audits of trust account; and
- Annual External Audits of all trust accounts.

Each of these measures is aimed at assessing the extent to which accounts are managed in accordance with both funding agreement and legislative requirements.

Value

Provincial Treasury officials are required to ensure that the obligations under the funding agreements are met in respect to both mandated financial management and reporting requirements.

In accordance with PNG's Public Financial Management ACT (PFMA) and individual PPII Funding Agreements, participating provinces are required to report monthly to the ISP on account activity. This information forms an important part of the ISP's fiduciary risk management process, allowing Trust

Accountants to assess the degree to which provincial administrations are utilising funds in accordance with agreed funding activities. To date, monthly reporting of accounts has been somewhat sporadic with only a small number of provinces reporting in a timely manner. While the ISP endeavours to follow up on outstanding reports through Finance Advisers, provincial administrations do not see reporting as a priority. This matter has been raised with PPII Secretariat and it is hoped that DPLGA will agree to a proactive approach to ensure reporting requirements are met.

The ISP has implemented an internal audit process for all PPII Trust Accounts. These audits are an important part of the quality assurance and risk management process. Regular internal audits allow the ISP audit and finance team to “drill down” on account expenditure to determine the appropriateness of expenditure activity together with compliance against legislative financial management requirements.

In undertaking audits, the ISP Trust Accountants pay careful attention to the way in which PPII funds are managed to ensure that GoPNG Financial Management requirements are addressed and obligations under the funding agreements are met. Where the Trust Accountants identify cases of non conformity to funding agreements resulting in misappropriation or fraud, the immediate response is to notify AusAID and DPLGA of the situation with a view to taking action to freeze the respective PPII Trust Account. This process is then followed by a detailed investigation in accordance with both GoA and GoPNG requirements. Where the Trust Accountants identify irregularities not amounting to fraud but which cause significant concern, a detailed brief is prepared for AusAID and DPLGA to allow consideration of further action (which could extend to freezing of the account). In cases where minor issues are identified, recommendations for improvements are noted in the respective audit report and followed up. Audit recommendations form part of PPII Finance Team's work plans.

The provincial funding agreements are an effective monitoring tool to ensure transparency and accountability in the use of PPII incentive funds.

Risks

The Trust Account mechanism requires the establishment of trust accounts (a Head Trust Account now established at DPLGA) and the PPII Trust Accounts in each participating province (the type differs between Phase I and Phase II provinces). Each account is established under the PFMA and requires the approval of the Secretary for Finance for Phase I accounts and the Minister for Finance for Phase II accounts. Although this is a straight forward exercise in practice the process of establishing accounts can take more than twelve months. Engagement with the Department of Finance has proved difficult thereby stalling progress in establishing new provincial trust accounts. A strategy of effective engagement with Department of Finance and other central agencies should be central to the focus of work in this program.

The PPII Trust Account mechanism requires Phase I province expenditure to be drawn directly from the sub-imprest account while the Phase II provincial accounts are deposited in the trust account and are held until transferred to the operating account to fund approved PPII activities. The Phase II trust account becomes another holding account. Expenditure for agreed activities is actually accounted for through the operating account and not the trust account. The operating account fully complies and operates within the PFMA and uses PGAS and all transfers from the trust account are initiated by warrant which is another application of PGAS. The use of trust account for Phase II provinces has resulted in duplication of efforts and added transaction costs in the operationalisation of trust accounts in the provinces.

Once DPLGA has demonstrated it has the capacity to effectively manage the Head Trust Account, the ISP will work with DPLGA and Department of Finance to explore options to directly fund the operating accounts without having to go through the trust accounts of the Phase II provinces.¹¹ The ISP recommends that future disbursements to Trust Accounts follow GoPNG quarterly Tranche processes. DPLGA would make quarterly tranches, in accordance with the province's capacity building plan cash flow projection, to the operating account upon the acceptable acquittal of the quarter prior to the previous quarter's advance (e.g. 3rd quarter funds would be released on the acquittal of 1st quarter funds, Q4 on Q2's acquittal and so on).

Instances have arisen where critical activities for capacity building and service delivery have been omitted from inclusion in the funding agreements. Strict application of funding agreement guidelines has denied implementation of these important activities in the provinces thereby negatively impacting service delivery outcomes. The ISP will work with DPLGA through the PPII Secretariat to regularly review and update the activities identified for implementation under the funding agreements and look at the potential for contingency allowances.

Concerns have been expressed regarding the extent to which the ISP has legal authority to act in response to concerns about PPII Trust Account activities. These concerns emerged primarily due to the fact that the ISP is not a signatory to provincial PPII Trust Accounts and a perception that the ISP *may* not hold the legal authority to freeze accounts in the event of irregular account activity. Independent legal opinion was sought to confirm that although the ISP is not a signatory to individual PPII Trust Accounts, this does not present a legal impediment to taking action to freeze an account where an irregularity is detected. To strengthen the ISP's role, all signatories to PPII Trust Accounts have signed a release (Schedule 4 to the funding agreement) which advises financial institutions that the ISP has the right to freeze the respective PPII Trust Account. The SNS-SP will continue to monitor levels of fiduciary risk that emerge in the trust account management process and ensure that AusAID is notified immediately of any impending significant risk.

¹¹ There is one additional benefit of this duplication of effort: Phase 2 Trust Accounts function as an extra check: not all funds can be transferred to the operational account, but tranche payments are made to the Operating account. Although, the added value may be low, it is a mechanism for not 'exposing' all PPII Funds to the operational account at any one time.

8 Advice on better approaches to articulating impact and lessons from the local level for monitoring and evaluation

There are two distinct M&E systems used by SNS, (i) partner government systems and (ii) ISP processes.

1. PARTNER GOVERNMENT (GoPNG) MONITORING & EVALUATION

The GoPNG M&E system, through which SNS works and reports, is the responsibility of DPLGA and PLLSMA. In addition to PLLSMA, DPLGA's Capacity Building Division (CBD) monitors PPII progress.

PLLSMA has 3 sub-sets:

- i. **Annual Provincial Performance Reports (APPR)** – commonly referred to as Section 119 Report). The s119 report is a comprehensive performance monitoring and reporting system developed by DPLGA supported by an SNS team of technical advisers.
- ii. **PLLSMA's quarterly meetings** which coordinate and monitor delivery of frontline services, including evaluations of expenditure against MPAs by sector agencies.
- iii. **Provincial Coordination and Monitoring Committee (PCMC)** – these "Inspectorates" are established by the 1995 Organic Law to coordinate and monitor implementation of national policies at the provincial and local level. This includes development of minimum development standards, assessment of achievements and reporting to Parliament. PCMCs have been established in 14 provinces at May 2011.

Capacity Building Division – The CBD has established a toolkit for M&E which has shown encouraging results.

The second national agency which receives extensive SNS support is the **National Economic & Fiscal Commission (NEFC)**. In 2005, NEFC commenced a process of analysing provincial expenditure to determine how well service delivery activities were funded (see text box).

2. ISP CONTRACTUAL REQUIREMENTS

The ISP's M&E system is based on contracting requirements to operate a quality assurance system to support SNS implementation. Some key features of this quality management system include:

- **Management Team Issues Log** – a simple tracking process to ensure issues are dealt with.
- **Annual Activity Planning** – the ISP produces the Annual Activity Plan in consultation with AusAID and Counterparts in alignment with GoPNG's annual planning and budgeting cycle.
- **Performance management system** – advisers are monitored by a continuous improvement framework with planning, review and feedback inputs from counterparts and AusAID.
- **Monthly Lead Adviser meetings** – the ISP collects SNS information and provides advice to AusAID and GoPNG stakeholders in a 'no surprises approach' to program management.
- **Regular Adviser surveys and feedbacks** – the ISP has an evaluation and adviser survey system that responds to feedback and suggestions for improvement.
- **Adviser meetings** – advisers come together three times each year to discuss progress, achievements, cross-sectoral issues, and capacity building approaches as part of the ISP's performance management system for knowledge building and professional development.

- **Six-Monthly Reporting** – reports have been submitted to AusAID since 2007, developed by the ISP based on review of adviser quarterly reports. The reports are comprehensive and cover areas significant for program management and implementation. The reports are analytical and predictive – they cover progress and achievements, challenges and emerging issues, risks, forward planning and recommendations.
- **Internal and external financial audits of trust accounts** – the ISP has financial management systems developed and managed by qualified accountants. ISP's finance systems are compatible with AusAID's reporting requirements and feature internal and external audits that comply with international standards.
- **Annual Independent Review Team (IRT) assessments** - the ISP has worked to continuously improve performance and address issues identified by SNS stakeholders including auditors and the IRT. The ISP uses a performance system that builds on feedback from stakeholders for continuous improvement.

BETTER APPROACHES TO ARTICULATING IMPACT AND LESSONS FROM THE LOCAL LEVEL FOR M&E

A key consideration for M&E is that stakeholder information needs differ and information derived from M&E systems should vary accordingly. Effective M&E provides a system to measure impact and capture lessons and requires sufficient resources (both quantity and quality).

The Australian Aid Program reports performance in annual program reports and 'quality-at-implementation' reports prepared by program staff. The Office of Development Effectiveness analyses these reports to draw conclusions about the overall performance of the aid program and support for basic service delivery. The performance assessments focus on individual activities and are of limited value for assessing the impact of the aid program on broad development outcomes.

Better approaches to articulating impact and lessons from the local level for monitoring and evaluation can be built from the existing systems of M&E described above. These should be linked to the, "Implementation Strategy", "Priority Outcome 4: Public Service" as a "Schedule to the Papua New Guinea – Australia Partnership for Development". The Implementation Strategy has three Programs to deliver Australian development assistance: (i) Economic and Public Sector Program (EPSP), Strongim Gavman Program (SGP), and SNS.

EPSP and SGP principally support national government departments and agencies while SNS supports a selected number of national government agencies but mostly focuses on provincial administrations, increasingly reaching down to districts and LLGs through DPLGA's PPIL.

There are three focus areas¹² through which these programs can be monitored through GoPNG systems. Focus Area 1 can be linked to, and monitored by DPLGA's CBD M&E toolkit, Focus Area 2 can be linked to, and monitored jointly by PLLSMA (via APPRs) and NEFC (via MPAs) and Focus Area 3 can be linked to, and monitored by PLLSMA (via PCMCs). This bodes well for the performance of the AusAID Program in PNG to be monitored and measured across all three mechanisms. Taking this forward in a simplistic and practical way, there is a two-pronged approach for AusAID to consider.

¹² Focus Area 1: Public Sector Capacity Development and Performance, Focus Area 2: Budgeting and Financial Management for Service Delivery, and Focus Area 3: Coordination and performance management of all levels of government.

First, major contractual requirements for AusAID's managing contractors for the three Programs should complement each other. This will enable program policies and procedures and quality assurance for each of the three Programs to 'harmonise', thereby mitigating risks of exerting demands and overwhelming GoPNG's M&E systems. Second, after having accomplished harmonisation of contractual requirements, the three Programs should progressively use GoPNG's M&E systems as the sole basis upon which quality assurance of program implementation. Having this two-pronged approach in place will enable both governments to mutually measure jointly agreed performance targets under the Partnership for Development between PNG and Australia.

9 Advice on underpinning principles that the program needs to articulate and own to guide implementation of a flexible and responsive program

SNS has been working towards addressing governance reforms which is complex, especially in an environment where there is great disparity in individual, organisational and system capacity within and between national and sub-national governments. Against this backdrop, some Program achievements have been realised by stakeholders through shared values and remaining steadfast to ten underpinning principles. These principles are discussed separately below.

1. Integrated capacity building

From 2007, SNS was implemented initially with an emphasis on technical advisory assistance. Non-Advisory Technical Assistance (NATA) methods of support kicked in 12 months after that with the first PPII Peer Review, and have since allowed other NATA activities to follow. From 2011, it is expected that following the joint AusAID and GoPNG Review of Technical Advisers at the end of 2010, NATA approaches to capacity building will further intensify. A scale-up of NATA will occur from 2011 And the package can comprise all the current activities that are being implemented. As part of this, concrete alliances with local agencies, including private sector networks will be fostered with less reliance on overseas training and expatriate capacity building consultants. In practical terms, this entails five key operating tenets:

- Capacity diagnostics to determine existing strengths and institutional gaps;
- Greater dissemination of GoPNG information;
- Performance-based incentives;
- A shift away from technical assistance alone, and
- Strengthening GoPNG's ability to monitor and evaluate delivery of frontline services.

The Capacity Building Framework to be finalised in September 2011 will be the key document to inform future SNS capacity building approaches and directions.

2. Incrementalism

A strength of the program has been its recognition of a long-term commitment while working on short-term interventions and opportunities. GoPNG stakeholders understand that AusAID's commitment to SNS is up to fifteen years from commencement in 2007.

To that end, the program's experience has been one of focus and persistence. This means, the Program will continue to work on targeted short-term activities while maintaining long-term goals underpinned by unshakable elements of trust and strong relationships with agency-personnel. To achieve this, AusAID and the ISP should ensure constant reinforcement of key messages and reviewing previous work to ensure shared understanding of, and commitment to, common deliverables with GoPNG stakeholders.

On practical terms, it involves who are associated with the program to understand the 'space' that is needed by key agency staff and demonstrate genuine efforts to allow them that space, while balancing support to leaders at sub-national levels to engage in reform. This approach has been proven in the performance of West Sepik, Central and Milne Bay provinces. A critical element in this process with regards its achievements or, lack of, is the program's ability to document and communicate 'small wins' and building on them to meet the long-term objectives of SNS and PPII.

3. Incentives and conditions

SNS has championed the attachment of both conditions and incentives to its interventions. Because PPII is a demand-driven program, one of its key tenets is a demonstration of proactive commitment to reform by provincial administrations before a full engagement by PPII. For that, the *“Guide to Services and Performance Requirements under the Provincial Performance Improvement Initiative, 2007”*¹³, has outlined different sets of criteria for a province to satisfy in becoming eligible for PPII's assistance. These criteria are essentially conditions while incentives are the technical assistance and annual financial awards.

Given the glaring disparity in individual, organisational and system capacity, it is thought that these conditions and incentives have some applications but must be tailored to local circumstances in provinces, etc.. This may not be entirely supported by literature on good development practice in other parts of the world. Nevertheless, the program should continue to refine this approach, particularly, using a suite of contextualised interventions to meet the specific requirements of sub-national levels against a fast changing environment. For example, from 2014 onwards, Central province will be juggling the demands of a multi-billion-dollar Liquified Natural Gas (LNG) project against the development aspirations and needs of its rural population. Similarly, in three other provinces – Southern Highlands, Gulf, and the new Hela province.

4. Tailored & phased-approaches

In light of key lessons learnt to-date from the program, it is clear that a one-size-fits-all approach is not the most ideal modality of assistance for a country such as PNG. The program's strength has been at providing support at a level and pace that is consistent with individual provincial capacity and resources and contextualised to its local circumstances. To enhance this, one must be able to develop a strategy to provide solutions to local issues, including a plan to allow Key Agency Staff (KAS) to be responsible. This is so that KAS take responsibility which in turn sharpens their leadership qualities and engenders less reliance on technical support. If PPII has encouraged one capacity it is the ability to problem solve and make decisions.

5. Strength-based program management

The program's future success will depend in many respects on a strength-based approach in program implementation. Some of the strengths are:

- Effective working relationships with counterparts – this is at the heart of the program's on-going success, and is built upon;
 - (i) the demonstrated commitment of key personnel from both AusAID and the Service Provider,
 - (ii) demonstrated empathy of technical advisers with stakeholders' issues,
 - (iii) greater insights into contextual issues, and

¹³ The PPII Guide to Services is included at Appendix 12.

- (iv) the ability to turn willingness into action.
- Timely and responsive support by the Service Provider to SNS program and stakeholders. The key lies in providing effective support in logistics and access to program-related information. The approach entails:
 - (i) clearly defined teams and responsibilities within the Service Provider,
 - (ii) the establishment of a culture of continuous improvement,
 - (iii) well-developed and understood program planning systems, and
 - (iv) robust working relationships with stakeholders

6. Knowledge management

Collating key program related information and communicating this to AusAID and GoPNG stakeholders of SNS has been a hallmark of the program since 2007. Going forward and against a significantly different political and economic landscape, characterised by five years of consecutive growth, the program will need continually improve and adapt its knowledge management system. The major economic changes in PNG can potentially displace strong partnerships between recipient-agencies and donors and on-going efforts to improve service delivery to the people of PNG. It is therefore imperative that the program concentrates effort on capturing 'good news stories' and disseminating them. The approach can be based on:

- the provision of relevant information to SNS stakeholders to allow for evidence-based activity planning, program implementation and performance management, and
- supporting AusAID to ensure activities are delivered in ways that complement successes from GoPNG's own reform priorities.

Underpinning these, should be a communication and management strategy by the Service Provider with three core elements:

- Good understanding of the objectives and principles of the PNG-Australia Partnership for Development;
- Delivering evidence, including 'good news stories' for AusAID's public affairs function; and
- maintaining a 'no surprises' approach for all SNS stakeholders.

7. Demand-driven program

PPH has been described as a demand-driven program. Essentially, it has been a program that has been voluntary for partner provinces to join and receive interventions that are available under the program. It started with three pilot provinces in 2004, and by the end of 2007, it had expanded to eight provinces with the admission of five new provinces (West Sepik, Milne Bay, Oro, Simbu and West New Britain). By the end of 2010, there were fourteen provinces in partnership with PPH and in 2011 another two were added. The major benefit of such an approach is ownership by the recipient province. The Program plays a support role, allowing the recipient-agency to set the agenda, including their preference for certain interventions for their agencies. Based on a provinces priority and agenda, appropriate assistance is tailored to specific circumstances.

8. Use of GoPNG processes and systems

The ISP is a strong advocate of the use of and alignment with GoPNG processes and systems wherever possible and practicable. The ISP therefore plays a key supporting role in the strengthening of GoPNG systems, so that the systems are a component of the development modality, as opposed to establishing parallel systems. Key outcomes of this approach include:

- sound financial management systems for all SNS trust accounts;
- effective risk management of the SNS trust accounts;
- Implementation of a process of internal and external audits to mitigate fraud risks and improve trust account management;
- the management of trust fund transactions through PGAS; and
- transparent program coordination, monitoring and evaluation, and performance management and reporting through PLLSMA and PCMCs.

9. Use of PNG expertise

A major success of SNS has been the recruitment and use of technical advisers of PNG nationality. In December 2010, Papua New Guinean advisers comprised more than fifty percent of the total number of advisers on SNS.

SNS is developing a cadre of Papua New Guinean men and women advisers who are emerging as leaders at both, community and national levels and will always remain committed to nation building in PNG. Many are likely to assume higher responsibilities after the life of SNS. This success is a reflection of the good development practice resulting from SNS.

10. Continuous learning and improvement

The program will continue to engender a culture of continuous learning and improvement. It will work with its stakeholders to analyse and extract lessons learnt from their work and populate them with the objective of utilising acquired knowledge from the program to further inform good practice and professional behaviour.

Appendix 1

Matrix of Issues and Actions

Issues and Actions with Responsibilities and Timelines for Delivery

Issues	Recommendations	Responsibility	Timing
1. Program Effectiveness			
Coordination across GoPNG and donor activities	Support DPLGA to implement recommendations of the PPII review	DPLGA Senior Management Team to lead; SP to support with capacity building activities, and AusAID to monitor and report	On-going
SNS relevance in meeting both GoPNG and GoA objectives, including objectives of the PNG-Australia Partnership for Development	<p>Ensure vigorous efforts are directed to enhancing alignment of SNS engagement. Four of the five priorities¹ in the PNG-Australia Partnership for Development are directly related to the goal of SNS. As well, SNS has supported GoPNG's Minimum Priority Activities (MPAs) which are in line with PNG's Vision 2050's overarching goals.</p> <p>Implement recommendation 1 (above) concurrently with recommendations under: "2. <i>Program Efficiency</i>", and "6. <i>Impact and Sustainability</i>", (below)</p>	AusAID to lead, and SP to support where policy directives are provided by AusAID	2011 to June 2012
SNS to support emerging initiatives by GoPNG (such as, SDMM, DIMS, etc) to strengthen PNG's decentralised system of service delivery	<p>AusAID to consider how best to position SNS to support implementation of the findings and recommendations of such studies, initiatives, etc.</p> <p>AusAID to consider selective engagement as per</p>	AusAID (lead) and SP to support in recruitment, logistics, etc.	Complete by Dec 2011, and in preparation for the new phase of SNP from July 2012 onwards.

¹ The outcomes are: (i) Improved transport infrastructure, (ii) Faster progress towards universal basic education, (iii) improving health outcomes, and (iv) strengthening the public service by improving public administration at national, provincial and district levels, including public financial management.

Issues	Recommendations	Responsibility	Timing
	<p>recommendation under; “2. <i>Program Efficiency</i>”, especially, “<i>Balancing national and sub-national stakeholder demands</i>”</p> <p>To support a selective engagement strategy, AusAID to give considerations to recruitment of a small pool of well regarded ex senior PNG public service officials. These ‘advisers’ are to be co-located in selected departments and agencies (such as, Prime Minister and Cabinet, NEFC, PLLSMA, etc) to support SNS program engagement with GoPNG</p>		
2. Program Efficiency			
Program planning	AusAID to ensure that the SNS Annual Program Plan (APP) is developed by the SP, using both AusAID and GoPNG planning, budgeting, coordination and monitoring events and milestones concerning government business in a calendar year.	SP (lead) in ensuring consultations with relevant SNS stakeholders, including identification on key events and connecting and agreeing to these events and/or activities in the APP. AusAID to support with strategic program directions and policy guidance, including reviewing APPs and approving them.	On-going
Recruitment and management of technical advisers	SP to continue with its current HR recruitment strategies and performance management system for technical advisers	SP (lead), and AusAID (support) with program implementation and contractor performance and management	June 2012
Logistics and administrative support	SP’s team (Travel & Logistics and Capacity Effectiveness	SP (lead), and AusAID (support) to ensure	June 2012

Issues	Recommendations	Responsibility	Timing
to NATA	Coordinator) to be adequately-resourced and increasing their interaction with DPLGA Support DPLGA's Senior Management Team to finalise and implement their corporate plan, including recommendations of the PPII review	program implementation is consistent with AusAID's overall directions with capacity building. AusAID to support contractor performance and management, including assessment using the new contractor assessment guidelines.	
Capacity building and training	1. SP to continue supporting increasing trends by GoPNG stakeholders on non-TA capacity building initiatives	SP (lead) in working with GoPNG stakeholders and identifying local non-TA capacity building opportunities and concepts and bringing them to fruition. Part of this involves, establishing baselines via the M&E processes. AusAID to support with program strategy and policy guidance. AusAID to complete the SNS Impact Study and identify how best findings of the Study can be incorporated into non TA capacity building activities of the program SP (lead) to complete the Capacity Building Framework and take forward its recommendations jointly with DPLGA	On-going
Balancing national and sub-national stakeholder demands	1. SNS to use selective engagement in program implementation by having a presence in, and	AusAID SNS program management (lead) with strategic program directions, and 2. SP to	SNS transition to SNP and SNP from July 2012 onwards

Issues	Recommendations	Responsibility	Timing
	<p>working through Department of Prime Minister and Cabinet, Department of Personnel Management, DPLGA, NEFC and PLLSMA</p> <p>2. SNS to pool a small team of targeted and highly focused team of technical advisers comprising Corporate Management Advisers, Budget and Finance Advisers and Human Resources Advisers)</p> <p>3. SNS to up-scale NATA activities working through DPLGA and PMTs</p>	<p>support</p> <p>SP (lead) to obtain endorsement on the CPIA Paper at the PPII Secretariat and commence implementation by re-defining the current CPIA positions, etc. 2. AusAID (support) with oversight on program policy directions</p> <p>SP (lead) and AusAID (oversight)</p>	
Information dissemination by SNS stakeholders	<p>SP to work through the Communications Adviser in DPLGA to have the DPLGA Communications Plan in place and implemented concurrently with DPLGA's new corporate plan</p> <p>SP to support the communications Adviser in DPLGA to continue addressing internal communication issues in DPLGA, e.g. installing e-mail accounts and improving the DPLGA web site.</p> <p>SNS to consider support to key GoPNG stakeholders in publication and circulation of relevant information concerning service delivery. For example, NEFC's scorecards, etc. as well as PLLSMA's activities</p>	<p>SP (lead) and AusAID (support) to ensure program policy consistency, etc.</p>	
3. Program Management			

Issues	Recommendations	Responsibility	Timing
Joint management committee supervision of initiative: participation by key stakeholders: DNPM disengaged from SNS from as early as 2008 and never participated effectively since then. This was evident at annual PPII Steering Committee meetings and monthly PPII Secretariat meetings.	AusAID and SP to support informal networking between different GoPNG managers and leaders of PPII at the national level and provincial levels.	SP (lead) and AusAID (support)	On-going
Clarity on roles and responsibilities of AusAID, ISP and DPLGA: ISP contracting model not clear, tensions between AusAID provincial representatives and DPLGA Provincial Liaison Officers in overseeing PPII	<ol style="list-style-type: none"> 1. ISP model was a new modality in 2007 and contractual obligations did not always align. AusAID to consider allocating greater time in joint knowledge building of its program management personnel and contractors' management teams. 2. AusAID to consider concentrated efforts in knowledge building with GoPNG key stakeholders of contractor models and the role played by each party 3. AusAID to consider changing career paths and program management arrangements to include country specialists with long-term career focus on a region, country and/or sector so that people relationship aspects of their work are developed, maintained and nurtured 		

Issues	Recommendations	Responsibility	Timing
	over medium to long term		
4. Risk Management			
Program implementation risks	SP to continue to use a risk management process to identify risk as early as possible and deploy mitigation measures to avoid or minimise loss to the program	SP (lead) in updating a risk management plan for the program and ensure its implementation, including sharing information with AusAID (support)	On-going
Establishment and management of Trust Accounts: challenges of managing an increasing number of trust accounts under PPII has been well documented by Six-Monthly Reports by the ISP since 2007.	<p>SP to strengthen use of three approaches. First, work closely with GoPNG through the Trust Section and Internal Audit Division and other donor-funded programs, including the UNDP-supported PCab all of these are within the Department of Finance.</p> <p>Second, the SP to strengthen its internal audit team with additional resources (trust accountants)</p> <p>Third, SP to continue to implement a program of trust account management that covers a combination of internal audits conducted by SP's trust accountants and external audits contracted to professional local accounting firms. This audit program is supplemented by capacity building for provincial finance staff, provided by both, the SP's trust accountants and the SNS Budget and Finance Advisers.</p>	SP (lead) to make a business case to AusAID to consider supporting internal auditing functions within the SP as well as capacity building in provinces and DPLGA	To complete submission of the business case and strengthening of the internal audit by end October 2011
Succession planning and replacement of key program personnel from	SP to inform AusAID of its succession planning, and act as an early warning system to	SP (lead), and AusAID (lead)	January 2012

Issues	Recommendations	Responsibility	Timing
AusAID, SP and GoPNG (with departures of key personnel at the end of Phase 1 of SNS and PNG general elections)	<p>alert AusAID for any changes from GoPNG stakeholders at the national and provincial levels.</p> <p>AusAID to reciprocate to SP with its program management personnel with their departures</p> <p>AusAID and SP to consider having a joint implementation team to manage program issues with a results-orientated approach</p>		
5. Impact and Sustainability			
Monitoring and evaluation: Capturing good news stories	<p>SNS to consider M&E resources to strengthen and use GoPNG M&E systems in DPLGA (CBD monitoring toolkit), PLLSMA (s.119 reporting), NEFC (MPAs) and PCMC</p> <p>AusAID to consider improving program designs and contracting requirements of three AusAID mechanisms² with specific reference in the PNG-Australia Development for Partnership. This may involve ensuring greater coherence across capacity building strategies and frameworks of the three mechanisms as well as aligning their monitoring and evaluation to GoPNG's M&E as per recommendations in here. Their contractual requirements may also need to</p>	<p>AusAID (lead) jointly discuss with PLLSMA and CBD to fill in the Capacity Building Adviser role in CBD but re-define the role and position to M&E</p> <p>SP (support) to re-scope the re-new the terms of reference of the Capacity Building Adviser to M&E and undertake recruitment and selection of suitable candidates)</p> <p>AusAID (lead) with strategic directions and (SP) support with a new M&E Adviser in CBD and PLLSMA</p> <p>SP (lead) with AusAID (support) in reviewing</p>	<p>Complete by early 2012</p> <p>Complete by November 2011</p> <p>Complete by November 2011</p>

² (i) Economic and Public Sector Program (EPSP), (ii) Strongim Gavman Program (SGP) and (iii) Sub-National Strategy (SNS)

Issues	Recommendations	Responsibility	Timing
	<p>be complementing.</p> <ol style="list-style-type: none"> 1. SNS M&E to link three Focus Areas³ from the "Implementation Strategy" of the PNG-Australia Partnership for Development to GoPNG M&E systems. Focus Area #1 linked to DPLGA's CBD M&E toolkit with PPII, Focus Area #2 linked jointly to PLLSMA (s.119 Reporting) and NEFC (MPAs) and Focus Area #3 to PLLSMA (PCMC) 2. SP to review current reporting templates of all functional teams of technical advisers and make necessary adjustments to improve their quality of reporting by compelling good news stories to be reported regularly 3. SP to revise current terms of reference (ToR) of advisers and updating them, for example, ensuring that the ToRs have monitoring and reporting of achievements by provinces against indicators of the MPAs. 	<p>and endorsing the revised reporting templates</p> <p>SP (lead) with AusAID (support) in reviewing and endorsing the revised ToRs.</p>	
Lessons learnt	<p>SP to consider effective use of its internal M&E resources. There are presently two SP personnel with solid M&E</p>	<p>SP (lead) with implementation of the two recommendations. AusAID support with</p>	<p>On-going but complete revision of reporting</p>

³ Refer, "Implementation Strategy, Priority Outcome 4: Public Service", "Schedule to the Papua New Guinea – Australia Partnership for Development". Focus Area 1: Public Sector Capacity Development and Performance, Focus Area 2: Budgeting and Financial Management for Service Delivery, and Focus Area 3: Coordination and performance management of all levels of government.

Issues	Recommendations	Responsibility	Timing
	background that can be used to support AusAID's M&E Specialist to identify baselines against which lessons learnt can be documented SP to revise current reporting of all functional teams of technical advisers	program strategy and guidance on policy consistency across other programs and sectors	templates by November 2011, consistent with timelines under; "5. <i>Impact and Sustainability</i> "
6. Cross-cutting issues			
Gender	SP to continue to use a gender mainstreaming approach but maintaining engagement at a strategic level. This requires SP to work at management levels to profile and increase sensitiveness on gender equality issues, particularly, giving fair opportunities and consideration for active participation of women such as, during recruitment and selection of officers into provincial staffing establishments.	SP (lead) in supporting engagement with relevant GoPNG stakeholders in identifying key areas at management levels to profile and increase sensitiveness on gender equality issues.	On-going
Environment and disaster management	SP to support knowledge building across GoPNG stakeholders on incorporating environmental impact considerations into SNS, and PPII activities. In practical terms, one of the steps will involve providing good induction to new advisers, and updating current ToRs (especially, for the proposed Corporate Management Advisers as well as, reporting templates to ensure that capacity building on climate change and sustainable development.	SP (lead) in inductions, updating ToRs and revision of current reporting templates	Complete by November 2011 but inductions are on-going

Appendix 2

Sub National Strategy Reports 2007 – 2011

Sub National Strategy Reports 2007 – 2011

Subject / Agency		Report Title	Date
	Monitoring & Evaluation	SNS Quarterly Report	May 2007
		SNS Quarterly Report	Dec 2007
		SNS Quarterly Report	May 2008
		SNS Quarterly Report	Aug 2008
		SNS Quarterly Report	Feb 2009
		SNS Quarterly Report	Sep 2009
		SNS 6 Monthly Report	Mar 2010
		SNS 6 Monthly Report	Sep 2010
	National Economic and Fiscal Commission	Review of Provincial Function Grants in 2005	Sep 2006
		Review of Provincial Revenues-Review of Revenue Available for Goods & Services Purposes (2004-2007)	2008
		Cost! Capacity! Performance! - Review of All Expenditure in 2005 by Provincial Governments (PER) - Extract	2007
		Cost! Capacity! Performance! – Review of All Expenditure in 2005 by Provincial Governments (PER)	2007
		Its More than Numbers-Review of All Expenditure in 2006 by Provincial Governments (PER)	2008
		Closing the Gap-Review of All Expenditure in 2007 by Provincial Governments (PER)	2009
		Walking the Talk -Review of all expenditure in 2008 by Provincial Governments (PER)	2009
		2009 Budget Fiscal Report	2009
		NEFC Annual Report 2009	2009
		Reform in Intergovernmental Financing Arrangements; May 2009	2009
		5 year Trend Analysis 2005-2009	2010
		Sub-national Fiscal Trends 2010-2015, J Gouy	Feb 2010
		Green Shoots of Change-The 2009 Provincial Expenditure Review with Trend Analysis from 2005-2009	Sep 2010
	Autonomous Bougainville Government	Arawa Restoration Pre-feasibility Study 22 Feb-11 Mar 2010	Mar 2010
	DPLGA	Case Study of District and Facility Funding, Kathy Whimp	Nov 2009
		Final Joint Report: DPLGA, SNS-ISP Mission to	Mar 2008

Subject / Agency		Report Title	Date
		Simbu Province	
		The Handbook to the Determination of Service Delivery Functions and Responsibilities	Oct 2009
	Information Communication Technology (ICT)	DPLGA – ICT-Status Report, A Kasokason	2010
	SNS Mid Term Review	SNS Mid Term Review	Mar 2009
		SNS Mid Term Review; T Land, F Dobunaba, J Fargher	Aug 2009
		SNS Achievements during 2008 and Priorities for 2009	2008
	Human Resource	HR Core Skills 2-Recruitment & Selection (Produced for the ABG), P. Vunituraga	Aug 2009
		Human Resource Capacity Assessment Report-Morobe Provincial Administration; M.Midire and J.Simango	Apr 2009
		Human Resource Capacity Assessment Report-Simbu Provincial Administration; M.Midire and J.Simango	Jun 2008
		Human Resource Capacity Assessment Report-West New Britain Provincial Administration; M.Midire and J.Simango	Jun 2008
		Human Resource Capacity Assessment Report-Central Provincial Administration; M.Midire and J.Simango	Apr 2008
		Human Resource Capacity Assessment Report-Milne Bay Provincial Administration; M.Midire and J.Simango	Apr 2008
		Human Resource Capacity Assessment Report-East New Britain Provincial Administration; M.Midire and J.Simango	Feb 2008
	Gender & HIV/AIDS	SNS Advisers 2 nd Quarterly Meeting: Gender Mainstreaming/Gender Analysis Training/HIV/AIDS Awareness Information * Activity Booklet	Jun 2008
		Mainstreaming HIV and Gender Equality in the SNS Program, Kate Butcher and Enaha Kwa	Feb 2010
	NRI	The Quest for Good Governance-A Survey of literature in the reform of Intergovernmental Relations in Papua New Guinea; NRI Monograph 40; Dr. A Gelu	Jun 2008
	IRT Reports	IRT Mission 2-11 June 2008: Evaluation & Assessment Report	Jun 2008

Subject / Agency		Report Title	Date
		Assessment of the ISP Performance in 2008/2009	Jun 2009
		Assessment of the ISP Performance in 2009/2010	Jun 2010
		Assessment of the ISP Performance in 2010/2011	May 2010
	PPII Peer Review Reports	Summary of Proceedings PPII Inaugural Peer Review 2008	2008
		<i>"Sharing Successes"</i> Report on the Second Annual Peer Review	2009
		<i>"Wok Bung Wantaim"</i> Report on the Third Annual Peer Review	2010
	PPII	PPII Communications Strategy	Nov 2005
		Guide to Services and Performance Requirements Under Provincial Performance management Initiative	2007
		PPII Review Report; W Edo & J Mooney	Nov 2010
	ISP Reports	ISP Inception Report	Aug 2007
		ISP Progress Report	Aug 2008
		ISP Progress Report Aug-Dec 2008	Jan 2008
		ISP Annual Program Plan Jun 2007-Dec 2008	Oct 2007
		ISP Annual Program Plan Jan 2009-Dec 2009	Jan 2009
		ISP Annual Program Plan Jan 2010-Dec 2010	Feb 2010
		ISP Annual Program Plan Jan 2011-Dec 2011	Mar 2011
		ISP 6 Monthly Progress Report Jun-Nov 2007	2007
		ISP 6 Monthly Progress Report Dec 2007-May 2008	2008
		ISP 6 Monthly Progress Report Aug-Dec 2008	2008
		ISP 6 Monthly Progress Report Jan-June 2009	2009
		ISP 6 Monthly Progress Report Jul-Dec 2009	2009
		ISP 6 Monthly Progress Report Jan-Jun 2010	2010
		ISP 6 Monthly Progress Report Jul-Dec 2010	2010
		Review of Funds Mechanism Report	Jun 2007
		Handover Plan	2011
		Quarterly Finance Reports 2007-2010	

Appendix 3

Analysis of Technical Advisers recruited by SNS

Technical advisers

More than 80 SNS long term, periodic or short term technical advisers were mobilised and managed by the ISP between June 2007 and May 2011. These advisers supported SNS across 16 fields of technical expertise and were placed across 18 departments, agencies, provinces or districts.

Functional Areas of Expertise

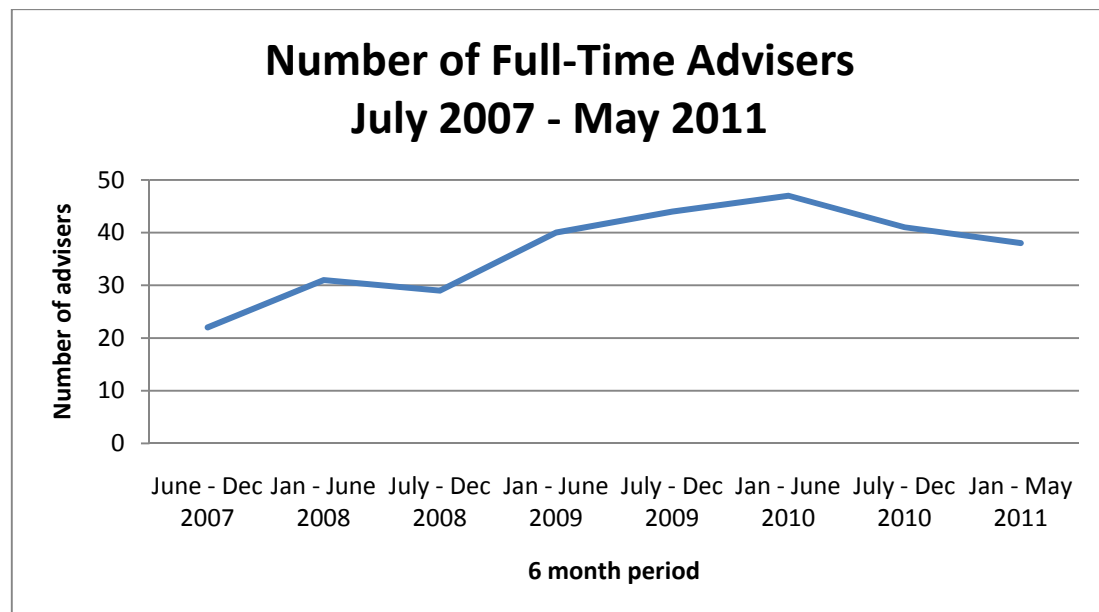
- Budget & Finance
- Human Resource Management
- Information & Communication Technology
- Development & Corporate Planning
- Performance Management
- Policy development
- Legal & and Legislative Drafting
- Communications
- Economic development
- Strategic Management
- Project Management
- Procurement
- Gender
- Research
- Capacity Building
- Revenue & Taxation

GoPNG Departments and Agencies - Provincial and District Administrations

- Department of Provincial and Local Government Affairs (DPLGA)
- Office of Rural Development (ORD)
- National Research Institute (NRI)
- National Economic and Fiscal Commission (NEFC)
- Central Province Administration
- Morobe Provincial Administration
- Huon Gulf District Administration
- East New Britain Provincial Administration
- Eastern Highlands Province
- Madang Provincial Administration
- West Sepik Provincial Administration
- Oro Provincial Administration
- Milne Bay Provincial Administration
- Autonomous Region of Bougainville
- Southern Highlands Provincial Administration
- West New Britain Provincial Administration
- Simbu Provincial Administration
- Manus Provincial Administration

Adviser numbers:

Long Term Technical advisers were the primary capacity development modality for SNS during its first Phase. The number of SNS advisers mobilised increased from 22 in June 2007, peaking at 47 in June 2010 and declining to 33 by the end of the contract in May 2011.



In 2010, AusAID and GoPNG undertook a Technical Adviser Review, which concluded that AusAID funded Development Programs should consider alternative forms of capacity building than the existing high reliance on technical advisers. Following the TA Review, SNS experienced a gradual reduction in adviser positions. Exit strategies were developed so that advisers phased out as they either completed their ToRs or the position was no longer deemed a priority in assisting the agency/province to meet its objectives.

The ISP continues to support the focus on integrated capacity building— the combination of advisers and non advisory technical assistance - to meet capacity development objectives. Since the commencement of the program, relevant counterparts have been significantly involved in identifying the needs of the provinces/agency through:

- Identifying the needs and the most appropriate form of support and, in the case where an adviser is identified as the appropriate form of support, counterparts help to define job requirements, intended outcomes and develop terms of reference;
- Counterparts participate in the actual merit based recruitment process;
- Agency induction is hosted by counterparts when advisers are mobilised;
- Advisers report to and are accountable to the counterparts for providing advice and outputs in accordance with his/her agreed work plan and for overall performance in fulfilling the assignment. The adviser negotiates his/her work plan and day-to-day work priorities with the counterparts. Where advisers have multiple counterparts, such as fly-in, fly-out advisers, work plans are developed for each province;
- The ISP management undertake the adviser's bi-annual performance appraisals in consultation with counterparts and AusAID;
- Quarterly reports are shared with counterparts; and

- TOR are reviewed with counterparts (generally this come up during performance appraisal if it needs to change).

As a result of this participative approach, GoPNG has demonstrated strong ownership of advisers during Phase 1 of SNS. Counterparts are open and up front with the ISP where there are performance issues and a number of advisers have been removed from the program following concerns raised by counterparts.

During the scoping exercise, the ISP has ensured clear counterpart arrangements are in place. Advisers work across teams of people or even across multiple teams (FIFO advisers) in order to strengthen systems that will result in improvements to the organisation – as opposed to building the capacity of just one counterpart. For example, advisers working at NEFC have helped strengthen the system of provincial grant calculations, resulting in fairer allocation of resources that will improve service delivery outcomes in the provinces.

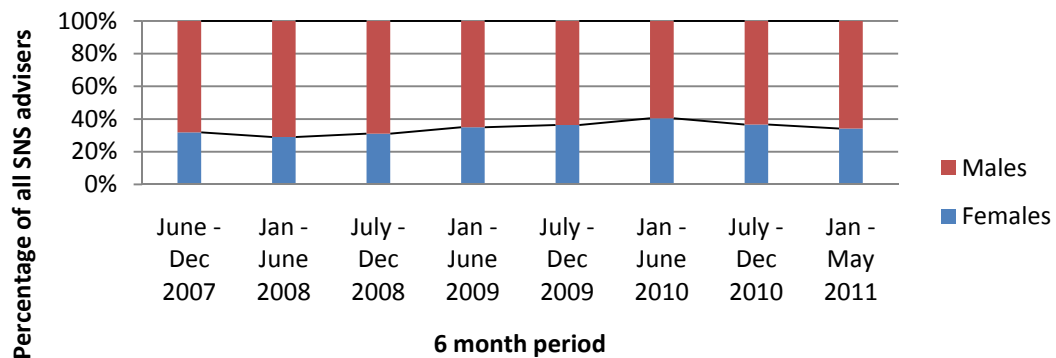
To ensure value-for-money, the ISP follows Coffey International Development best practice recruitment process utilising a Candidate Management IT system which ensures a thorough and value for money recruitment process is followed. In focusing on the use of PNG Nationals as advisers, costs have been kept low, and even for international advisers remuneration has been low in comparison to other programs as living allowances were incorporated into a monthly fee. Full implementation of the Adviser Remuneration Framework would have actually resulted in an increase of SNS Adviser total payments, not a reduction.

Advisers have been mobilised across 13 provinces, including Bougainville. The ISP has worked with stakeholders to mobilise advisers to challenging and remote locations including Bougainville, West Sepik and the Southern Highlands. The extensive networks Coffey International has developed with suppliers in provinces locations has facilitated safe and efficient mobilisation to these locations. Coffey worked closely with the Autonomous Bougainville Government to resolve long term accommodation and logistics issues prior to mobilising a team of ten to Buka (8 Advisers, GIF Coordinator and ISP Logistics Officer).

Gender:

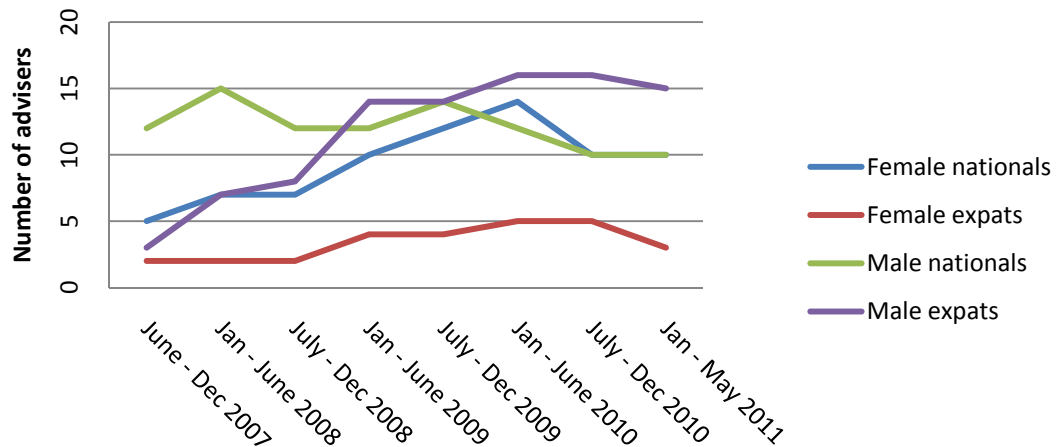
The Service Provider targets female applicants when recruiting. This effort improved the SNS gender balance, however it remains difficult to attract international women to SNS. In 2007, females made up 30% of all advisers. The percentage has increased over the life of the contract and in December 2010, 37% of advisers were women. The Adviser Review had an adverse impact on the gender balance; 60% of the positions rated low priority were occupied by women. By May 2011, the percentage of women had dropped to 34%. Recruiting females will continue to be a focus for the SP.

Gender Analysis of Full-Time SNS Advisers July 2007 - May 2011



It is pleasing to note that the number of Papua New Guinean women recruited to the team has increased with the number of male Papua New Guineans remaining stable. The number of expatriate men recruited in SNS has been constant; it is a reality that it is easier to attract expatriate male applicants. The ISP considers this is due to difficulties expatriate women perceive they may face in relocating to PNG. It is not easy to relocate families and, there remain genuine concerns about security.

Gender breakdown - National v International



National v International advisers:

The ISP continues to work proactively in its recruitment process with a strong preference towards utilising Papua New Guinean technical expertise.

In our experience, Papua New Guinean's with the right skills and experience are successful in their work due to:

- minimal language barriers;
- cultural agility - it is simply easier for Papua New Guineans to bridge the cultural gap;
- ability to establish trust and relationships quickly;
- the reality that many Papua New Guinean advisers were previously public servants and have extensive experience using and understanding the machinery of PNG Government systems; and
- most possess 'PNG politically savvy'.

(Refer James Ogia case study)

The number of expatriate advisers employed has tapered off towards the end of the ISP's contract and the number of Papua New Guineans' employed has increased over the period.



Lessons learnt include recognition that while Papua New Guinean advisers may be technically excellent, there is a requirement to develop skills in "how to be an Adviser" – not all have development experience. As a consequence, the ISP adapted the Adviser Induction Program to include training and knowledge sessions on what it means to be an Adviser and significant time continues to be invested by the TL and DTL in ensuring PNG Advisers continue to develop their capacity building skills and what "professionalism" means in the context of an Adviser role.

Significant effort has been invested to develop the skills and knowledge of all advisers in the areas of presentation and report writing; capacity building approaches; mentoring and coaching; effective ICT usage; work planning, gender equality, environmental impacts and HIV/AIDS. The ISP has established a program of thrice yearly adviser meetings which

combine information sharing and professional development activities as a vehicle to advisers' professional development.

The ISP believes that the investment in developing PNG advisers, in comparison to more experienced expatriates, who may only spend short periods in PNG then return to their home country, results in long term capacity building for PNG as a country. SNS is developing PNG leaders with a solid knowledge of Development and Governance who, whether directly or indirectly, will continue the work and ethic of SNS beyond their engagement in the program. Many of SNS's counterparts and PNG advisers have leadership and political aspirations.

The expatriate advisers engaged with SNS since 2007 have been fundamentally important to the program. The ISP has focused on recruiting a truly international pool of expatriate development professionals with extensive international and PNG experience. As of May 2011, the 24 long-term, periodic and short-term expatriate advisers came from 11 countries.

At the end of Phase 1, the SNS team included three advisers from the Pacific region. The ISP recognises that Pacific Islanders have cultural synergies with PNG and find it easier to adapt to the PNG way. These individuals held senior positions in other Pacific countries that are arguably further developed than PNG. These individuals possess regional understanding of what is required to support PNG counterparts through the challenges and capacity development needs.

(Refer Hamlinson Bulu case study)

Attrition:

The attrition rate of advisers over the Phase 1 period has been 11%, this is a measure of the number of advisers who exited the program. The ISP considers this a positive result as average tenure of effective adviser increases productivity and development outcomes.

The average tenure of long term advisers as at May 2011 is 27 months which the SP considers a good result given this generally reflects there is job satisfaction and commitment from SNS advisers. Longer tenures reduce costs of recruitment and replacements training and induction of new advisers and minimises lost productivity while recruitment and mobilisation takes place.

Performance management:

A structured Performance Management Strategy has been developed which provides a framework for performance and measurement of all Technical Assistance engaged on the Program.

The ISP has implemented a robust performance management system which incorporates six monthly performance reviews and an annual formal performance assessment in line with AusAID's new policy – Contractor and Adviser Performance Assessments – Guideline. Performance assessments are conducted in consultation with counterparts and AusAID.

Regular performance assessment provides an opportunity to talk about achievements, and career and skill development, identification of training and/or reinforcement needs, with a view to continuous improvement. This process ensures that all advisers receive regular feedback while at the same time providing a mechanism to address outstanding performance issues.

Counterparts are closely consulted in all performance appraisals – a number of counterparts from the organisation are contacted for feedback on adviser performance.

Appendix 4

Tasking Note Summary and Analysis

Tasking Note Summary and Analysis

The use of Tasking Notes for the duration of the program has enabled a flexible and timely response to emerging issues related to the delivery of the program. The Tasking Note system is used to formalise the agreement of tasks and activities to be undertaken by the ISP which are outside the contract between AusAID and Coffey International Development. This process forms the basis of agreed payments for these activities or requests. Tasking notes can officially be initiated by:

- AusAID officers
- DPLGA Management
- NEFC Management
- National Research Institute Management
- Provincial Management Teams
- Advisers, in consultation with DPLGA or Provincial Management Teams
- ISP management, in consultation with AusAID, DPLGA or Provincial Management Teams

For the period 2007 to June 2011 there were 213 Tasking Notes initiated. The ISP was the main initiator of Tasking Notes with 202.

Entity	No.
ISP	202
DPLGA	1
ARB	6
ENB	1
NEFC	3
Total	213

Of the 213 initiated, 158 were approved. Most (85%) of the Tasking Notes not approved were cancelled by the initiator and therefore not submitted to AusAID. The main “beneficiaries” for the activities/tasks required under the tasking notes were the Provinces (62), then followed by the SNS program (33) (which is related to the overall strategic management of the program, including gender and cross cutting issues and the Independent Review processes), NEFC (29) and DPLGA (17).

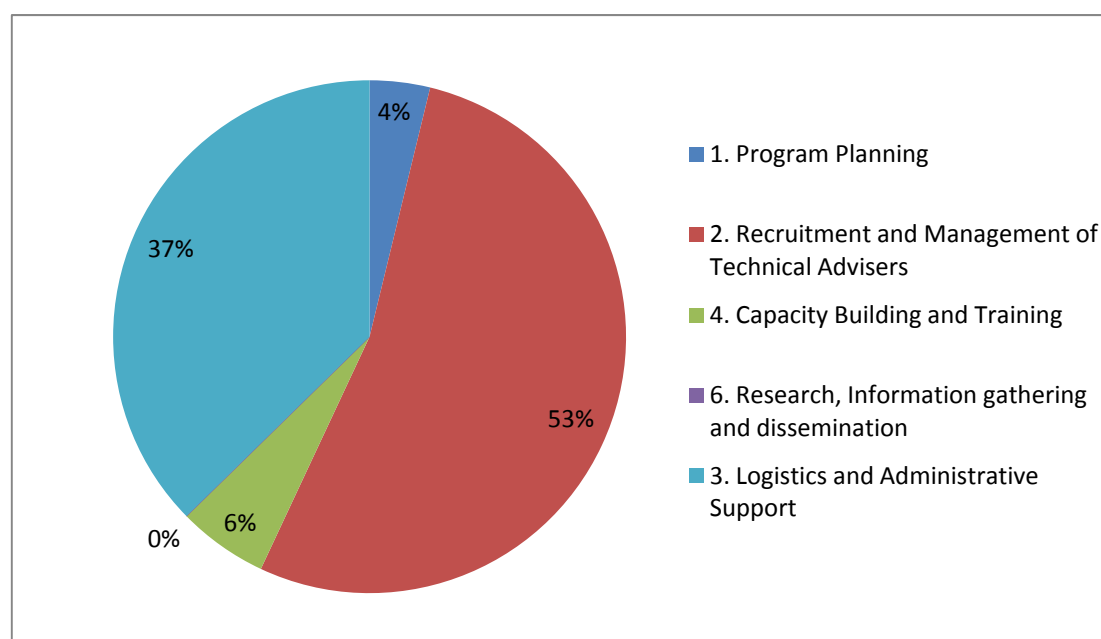
Beneficiary	Approved TNs	Total TNs
Bougainville	10	18
Central	1	1
DPLGA	17	22
EHP	6	7
ENB	6	7
ISP	16	22
Kokoda	1	2
Madang	2	2
Milne Bay	5	6
NCOBA	0	6
NEFC	29	34
ORD	1	1
Oro	0	2
Provinces	20	24
Sandaun	5	7
SHP	4	9
SNS	33	41
WNB	2	2
Total	158	213

The activities under the Tasking Notes were categorised based on the structure of the Head Contract.

Program Category	Number of Approved TNs
1. Program Planning	6
2. Recruitment and Management of Technical Advisers	84
3. Logistics and Administrative Support	59
4. Capacity Building and Training	9
5. Funds Management	0
6. Research, Information gathering and dissemination	0
Total	158

The types of activities or tasks requested under the Tasking Notes under Category 2 related to changes in the rates of Advisers, recruitment of Advisers to new positions, and short term Advisers providing strategic inputs in to the Program. For Category 3 the main activities featured were provincial travel and workshops for Provincial counterparts, travel for National counterparts and Advisers to provinces, purchase of IT equipment, upgrade of facilities in Buka and purchase of vehicles. Approximately 8% of the Tasking Notes submitted were not approved or were cancelled.

Figure 1: Breakdown by Category of Tasking Notes Approved by AusAID



Recruitment and Management of Advisers was where most of the activity was undertaken (53%) followed by Admin and Logistics Support (37%). This actually reflects the focus of this stage of the SNS which was on the provision of Advisory support as the main means of capacity building. The Administration and Logistics costs are largely related to supporting these Advisers in the field and their mobilisation. This focus will change in the next stage of the program with a shift to other forms of non-Advisory capacity building approaches. It is expected that the cost profile above will look markedly different in the next phase of the program.

In relation to the value of the Tasking Notes approved there was an estimated total of K13.6 million. The breakdown of the total allocation by “beneficiary” is as follows:

Beneficiary	Total (PGK)
Bougainville	1,000,494
Central	-
DPLGA	697,028
EHP	38,200
ENB	148,672
ISP	274,571
Kokoda	600,000
Madang	260,000
Milne Bay	376,946
NEFC	4,165,986
ORD	50,000
Provinces	652,508
Sandaun	331,770
SHP	662,379
SNS	3,855,669
WNB	535,425
Total	13,649,648

When viewed based on the contract Categories used by the Program the breakdown indicates that Category 2 is the largest in terms of value followed by Category 3.

Categories	Total (PGK)	%
1. Program Planning	2,221,400	16
2. Recruitment and Management of Technical Advisers	7,886,374	58
3. Logistics and Administrative Support	3,210,962	24
4. Capacity Building and Training	330,911	2
Total	13,649,648	100

Appendix 5

ISP Briefs to AusAID – May 2007 through May 2011

ISP Briefs to AusAID – May 2007 through May 2011

2007

1. May 2007 - SNS Adviser Update

A brief to update AusAID on:

- Novation of advisers from the Incentive Fund (IF) and Adviser Support Facility (ASF);
- Recruitment of Advisers;
- Adviser Terms and conditions of employment; and
- Initial Strategic Planning workshop in May 2007.

2. August 2007 - Clarification of the ISP role and responsibilities

The purpose of this note was to clarify differing expectations and understandings about the role and responsibilities of the ISP. Coffey ID was guided by the role specified in the Request for Tender (RFT) for the SNS and reflected in the SNS contract. In each document it was clear that the role of the ISP was to support and implement the initiatives, policies and directions determined by the DPLGA and AusAID. However, Coffey ID will always draw on its experience and resources to maximise success. An expectation had emerged that the ISP would be "pro-active" in identifying and generating activities. The paper aimed to clarify responsibilities lest the ISP over-step its responsibility and encroach on the authority and responsibility of DPLGA and AusAID. Agreement was reached that:

- The ISP would be responsive to the directions and initiatives determined by the DPLGA and AusAID as per the RFT and contract.
- The ISP would engage cooperatively with its partners to identify and specify priorities for activities.
- The ISP would inform DPLGA and AusAID of information that might influence or impact on the delivery of the SNS program.
- When appropriate, the ISP would propose options for DPLGA and AusAID to consider but activities would remain the prerogative of DPLGA and AusAID.
- Agreed activities are to be formalised through Tasking Notes process.

3. August 2007 - ISP Team Structure

This Paper proposed a change in the ISP Management Team Structure to re-scope the two Deputy Team Leader Roles into:

- Deputy Team Leader – Strategic Relations (Emmanuel's Role) responsible with the Team Leader for Development activities; and
- ISP Services Manager - responsible for ISP operations.

The paper also proposed a Monitoring and Evaluation Adviser which the ISP considered to be a key role for SNS generally and the ISP specifically. The ISP recommended this position should be part of the Senior Management Team involved in planning and major decision making processes.

AusAID agreed to the change in scope of the DTL-ISP to Services Manager in April 2008 but not the other two recommendations.

4. September 2007 - Performance Management – SNS ISP Deputy Team Leader

The position of Deputy Team Leader Implementing Service Provider (DTL-ISP) was a direct appointment by AusAID. Regardless of which contractor won the SNS tender this individual was to fill the role. However, it became increasingly obvious that the DTL did not have the skill set required to perform his duties to the level which was required for the ISP to operate efficiently. A number of examples were raised by the Team Leader, ISP Management Team Members, Coffey International Development staff and AusAID querying the effectiveness of the DTL-ISP.

AusAID and the ISP agreed that the incumbent should leave the role and that the position be rescoped with the view to a Services Manager commencing with the program in January 2008. However, AusAID took some months to approve the new role, asking for further justification in February 2008 and the new person did not commence in the role until late June 2008. This resource shortage meant that the ISP management team was not at full complement for more than a year, some program activities were delayed and the management team was stretched.

2008

1. February 2008 - Review of SNS-ISP Management Structure (Services Manager Proposal)

This proposal was an updated version of a proposal submitted in November 2007 seeking approval from AusAID to recruit a replacement for the ISP Deputy Team Leader (DTL) who had left the program in December, 2007 following performance issues. The AusAID Activity Manager had instructed the ISP to re-scope the position and retitle it to ISP Services Manager.

The ISP originally requested recruitment to commence in November so that it was not left short staffed but approval was not forthcoming from AusAID until April 2008.

2. February 2008 - Monitoring and Evaluation Roles

Coffey's technical proposal was based on ISP M&E activities meeting contractual KPIs rather than the Monitoring and Evaluation Framework (MEF) for the whole SNS Program. Increased expectations on the ISP in meeting SNS M&E responsibilities were only identified when the draft MEF was distributed in September 2007. The ISP KPI's relating to M&E were subsequently agreed in December 2007, recognising that revisions to the M&E and Knowledge Management Performance Category would be considered, based on the ongoing process of formulating and implementing the SNS MEF.

This paper proposed the recruitment of additional dedicated M&E resources to meet MEF requirements which were not included in the RFT or the Contract. The level of work involved in fulfilling the ISP's responsibilities as outlined in the SNS Program's MEF required additional resources with specific M&E expertise. As part of the MEF process, AusAID requested the

ISP to develop ToRs for an M&E Adviser to be located in DPLGA. This position would undertake an advisory role for SNS counterpart agencies and provincial administrations.

Given the scope of the SNS MEF and the level of input required to support it, ToRs for this role would need to specify a shared responsibility for the SNS MEF and DPLGA requirements as well as the ISP M&E requirements; or separate dedicated resources would be required in order to fulfil the expectations of the MEF.

The ISP recommended that an M&E Coordinator role be added to the ISP's core management team in order to fulfil the requirements of the MEF. This would allow the M&E Adviser located in DPLGA to be dedicated to encouraging the cultural change required in GoPNG Agencies and Provincial Administrations to imbed M&E activities into daily management of functions and programs. The ISP predicted that having one person trying to fulfil both roles will result in neither role being done as effectively as the current level of resources dedicated to the SNS Program warrants.

AusAID agreed to the recruitment of an M&E Adviser in 2008 but not to the M&E Coordinator Role. However, once the DPLGA M&E Adviser had been recruited and contracted, AusAID advised the ISP that this role was not to be mobilised.

The first dedicated M&E expertise came to the ISP in February 2011 when AusAID agreed that an existing ISP position's level of responsibility and remuneration could be increased to take on M&E activities.

3. April 2008 - SNS-ISP Strategy Paper on Lead Advisers

In April 2008, the ISP submitted a Strategy Paper to AusAID which outlined the proposal to appoint Lead Advisers for each of the streams of technical advisers. The role of the Lead Adviser was detailed in this Issues Paper as follows:

Improve outcomes - The Lead Adviser will support advisers to achieve high levels of cohesiveness in advisory work, both within teams and between teams.

Technical – the Lead Adviser is responsible for ensuring there is technical consistency in the work undertaken by the advisory team. The Lead Adviser will provide direction to other team members to ensure that international best practice in the technical field and in capacity building is being incorporated to the greatest extent.

Leadership – the Lead Adviser will provide leadership to their advisory team, ensuring effective communication between team members, sharing of information and resources and that there is cohesion in the work undertaken. The Lead Adviser will also take the leadership role in planning and reporting, facilitating the planning and reporting process on behalf of the team.

Liaison – the Lead Adviser will take the primary role in liaison with SNS, GoPNG and the ISP in regard to the work being undertaken.

Performance management – the Lead Adviser will take a performance management role for the team, liaising with the ISP HR Manager in relation to performance management issues, participating in performance appraisals for advisers and liaising with key counterparts for feedback in relation to adviser performance.

Lead advisers were appointed to the Finance, Human Resource, ICT and Performance Monitoring Division Teams. The Strategic Management Adviser at NEFC fills the Lead role for

that team and the Policy Adviser for the Legal and Policy Division Team. Lead Advisers meet on a monthly basis with ISP management to coordinate activities and share successes.

4. July 2008 - SNS TECHNICAL ASSISTANCE TO THE ISLANDS REGION

This was an ISP information paper requested by AusAID to provide information on the support SNS was providing to the New Guinea Islands (ENBP, WNBP and ABG). At this stage of the program adviser assistance was focused on human resources, finance and budgeting improvements, Corporate Plan Implementation and Gender. The paper was for information only and was requested by the incoming Senior Development Specialist (now titled Program Director).

5. August 2008 - ICT Strategy

Provincial Administrations and National Agencies had expressed increasing interest in investing financial and human resources in developing ICT systems and capacity. These ICT decisions are fraught with risk of inappropriate solutions so it was determined that a small team of advisers should be recruited to assist managers to make ICT investment decisions. The paper discussed three strategies the ICT team was to implement:

Strategy 1 - To advise and assist provincial administrations, Department of Provincial and Local Government Affairs (DPLGA) and national agencies (if required) to analyse information and communications technology requirements with a view to developing strategic approaches and/or plans for the implementation of sustainable and effective ICT systems and processes to support key functions and work processes.

Strategy 2 - Advise and assist provincial and district administrations with analysing data requirements, designing and implementing various databases (where relevant to their needs), and/or assisting administrations with the technical and operational aspects of implementing human resource, finance and planning databases as part of a country-wide information system.

Strategy 3 - Scope, design, develop and implement (including training and capacity building) simple, constructive and sustainable databases to assist DPGLA Performance Management Division in the performance monitoring of PPII provinces and the Provincial and Local Level Services Monitoring Authority (PLSSMA) in regard to S119 reporting requirements.

6. August 2008 - ISP Management Structure & Performance Management Framework

This was an ISP information and recommendation paper requested by the incoming Senior Development Specialist (now titled Program Director). The ISP had just completed its first year and all parties agreed that it was an opportune time to review management arrangements and identify Program management refinements “to bed down existing arrangements as well as ensure the ISP was well placed to support the strategic expansion of the program while maintaining the leadership and ownership by the Governments of PNG and Australia.” The paper included the following areas:

1. Background;
2. ISP Management System
3. ISP Performance Management Framework
4. Adviser Placement Strategy;

5. Proposed Expanded ISP Adviser Structure
6. Physical Placement of Port Moresby Based PPII Advisers
7. Communications systems and mechanisms
8. Recommendations:
 - i. The ISP recommends a single integrated planning process with broad consultation occurring annually in July and August to allow the Annual Program Plan to be delivered by 30 September each year as per the ISP's contract requirement.
 - ii. For activity requests falling outside of the Annual Program plan, the ISP recommends that a more structured activity scoping and approval process is established. All requests for PPII assistance not included in the APP follow formal channels through the office of the Secretary of DPLGA to the PPII Secretariat. Ad hoc requests for SNS activities would follow a similar model with the approval processes directed through the AusAID Program Director.
 - iii. Further consultation and development of the Reporting Relationships Matrix is proposed to ensure that the matrix represents the needs of all stakeholders and is owned by them. This matrix would be reviewed on a six monthly basis as part of the six monthly reporting processes to accommodate changing needs.
 - iv. The following proposals address personnel changes:
 - v. The ISP proposes that a Lead Adviser is appointed for each of the technical streams of advisers.
 - vi. The ISP proposes that the position of Deputy Team Leader will also move from an adviser performance management role to more of a focus on strategic issues including PPII corporate planning.
 - vii. The ISP proposes a Performance Manager position, taking responsibility for the daily management of technical advisers in all areas of the program.
 - viii. The ISP proposes a position of Capacity Development Manager to focus on capacity building strategies and liaison with stakeholders to identify capacity development opportunities which are not TA based.
 - ix. The ISP proposes that the Adviser Placement Strategy be adopted and applied as part of the Annual Planning Process in 2008/09.

7. December 2008 - Integration and Risk Management

This paper was prepared by the ISP as an internal discussion paper for consideration both within the ISP and AusAID for examining the benefits and risks associated with the integration of donor funds into partner agency government systems. The paper was meant to feed into further work associated with the development of key strategy papers on the integration of systems, risk management as well as capacity building more broadly. The paper discussed the following issues:

- Integration and Harmonisation through Host Government Systems;
- Integration, Fiduciary Risk and the Provincial Performance Improvement Initiative;

- Managing Fiduciary Risk;
- Fiduciary Risk and Capacity Building;
- Fiduciary Risk and Contractual Obligations;
- Fiduciary Risk Management and Response Strategies;
- Reporting;
- Trust Account Auditing; and
- Responding to Risk and Potential Misappropriation or Fraud.

8. December 2008 – Risk Management of Trust Accounts

This paper outlined key strategies and measures used by the ISP in managing PPII Trust Accounts and included the following areas of discussion.

- Background;
- Monitoring PPII Trust Accounts;
 - Engagement through technical advisory resources,
 - Reporting of account transactions, and
 - Trust account audits;
- Legal Powers of the ISP; and
- Responding to Potential Misappropriation or Fraud.

2009

1. February 2009 - Briefing Paper on the Governance Implementation Fund (GIF)

The Governance and Implementation Fund (GIF) was established as a mechanism to streamline requests by various parties and levels of government within Bougainville to AusAID and NZAID, and potentially other donors for funding assistance. The concept for the GIF was introduced towards the end of 2003 and after several meetings between the stakeholders, the GIF was formalised in April 2004. The Briefing Paper discussed the following:

- Establishment and operation of the GIF;
- Integration of GIF funds into PGAS;
- Contribution of funds to the GIF;
- Administration of the GIF;
- Implementation of projects; and
- Some successfully completed projects.

2. February 2009 - Background brief on the SNS Adviser Team for Bougainville

A total of 8 technical adviser positions were approved for Bougainville as part of the Sub National Strategy. Seven of the adviser positions had been mobilised by February 2009. The ISP was tasked to provide a brief on the advisers for the Australian High Commissioner.

3. February 2009 - Position Paper to SNS Mid Term Review on ISP contracting model

This paper was prepared for the SNS Mid Term Review and was a discussion of the ISP Contracting Model.

4. February 2009 - Mid-Term Review Information Paper - Tracking Incentive Funds

This paper was prepared for the SNS Mid Term Review and tracked PPII Incentive Funds received and used up to 31 December 2008. It also covered Program Outputs and Performance Indicators & Actual Program Performance by Phase 1 and Phase 2 Provinces.

5. March 2009 - PPII Trust Accounts Update

This was a paper to update AusAID on the Status of Trust Funds. It discussed the following issues:

- External Audits
- GST Returns to IRC
- PPII Phase II 2008 Funding Agreement Extensions
- Phase II Province 2009 Work plans
- Current status of work plans follows:
- New Trust Accounts
- Reporting and Reconciliation

6. March 2009 - PPII's Re-engagement of Oro, Gulf and Simbu provinces

There is a clear need for PPII to have well-defined strategies for provinces that are facing unique challenges within their provincial context in meeting or maintaining their status at a particular PPII level, and to minimize the risks to PPII's investment. The ISP Deputy Team Leader wrote a brief which is summarised below, to suggest ways to re-engage with several PPII provinces facing difficulties (Gulf, Oro and Simbu).

Providing responsive and tailored engagement as situations arise in provinces will be informed by how PPII positions itself to be able to monitor situations and its preparedness to respond within a considered and cohesive framework. The issue of staying engaged as part of a wider program strategy is critical.

PPII should have a specific strategy for each province with focus on a few prioritised areas. Even if a province is "on hold" PPII needs to stay engaged, albeit at a reduced level, as opposed to total withdrawal, will keep PPII informed of the situation on the ground.

7. June 2009 - GoPNG Recruitment Freeze issued by the Acting Chief Secretary

The aim of this Paper was to brief AusAID on an official directive from the Government of PNG (GoPNG). The Acting Chief Secretary to Government, issued a Circular on 5 May 2009, freezing all "...organizational restructures, advertisements and recruitment".

At the Annual Consultative Meeting of Provincial Administrators at the PLLSMA meeting on 3 June 2009, PAs agreed to continue with HR activities that are already underway in their respective provinces, in defiance of the Circular and the Acting Chief Secretary.

The SNS HR team was concerned that the validity of selection-appointment decisions during the period of the freeze could be contested by aggrieved officers through the appeal process.

PPII/SNS will have to proceed with caution with current HR inputs to provinces until such time as a withdrawal notice is made public. Despite the position of the PAs, there is the potential for risks to AusAID's reputation and standing. Between now and the release of a public notice to withdraw the freeze, AusAID could be considered to be complicit in the defiance of official government instructions if technical advisers contracted by AusAID continue in assisting provinces to restructure, advertise and recruit.

8. August 2009 - Brief to AusAID on PPII West New Britain Province Case

This brief to AusAID discussed a breach of the West New Britain PPII Funding Agreement as a result of over-time related payments being paid. The FA specifically restricts the payment of emoluments and hence the breach.

9. August 2009 - Briefing Paper on the GIF NCOBA Subsidiary Account

This brief was prepared to address the ISP's concerns relating to NCOBA GIF subsidiary account following external and internal audits. Each audit found significant non-compliance with proper financial management of trust funds. The external audit by PriceWaterhouseCoopers (PWC) produced a qualified audit opinion for the NCOBA GIF subsidiary trust account for the period 1 January to 31 December 2008.

The paper stated that attempts to rectify NCOBA financial processes had been made but NCOBA management did not respond and no evidence of remedial action could be found. This was indicative of either an incapacity or unwillingness by NCOBA to address the issues.

The ISP proposed three possible options:

- Take no action and allow NCOBA to continue utilising GIF funds
- Give NCOBA a period of 30 days to respond to audit findings, failing which no further utilisation of GIF funding would be allowed
- Freeze the account immediately until NCOBA has satisfactorily addressed all issues identified in the audit report

10. August 2009 - Brief on Airlines PNG Kokoda subsidised airflight contract

In June 2009 Coffey International Development was tasked by AusAID to enter into a contract with Airlines PNG (APNG) to provide scheduled air services to villages along the Kokoda Track. This initiative arose from the Governments of PNG and Australia's Joint Understanding on the Kokoda Track and Owen Stanley Ranges, signed in April 2008. Flights commenced in July 2008 and serviced five airstrips, Manari, Egofi, Nadinumui, Kagi and Milei. An audit of the five airstrips involved found that they were not long enough for the Twin Otter Planes doing the charters and the charters were discontinued.

11. September 2009 - SNS Website Management Issues

This was an email exchange vis-a-vis ownership of DPLGA knowledge and information and the SNS Website.

12. September 2009 - Southern Highlands Provincial Administration Recruitment

This brief provided an update on the SHPA recruitment and selection process which was being supported by a SNS Human Resource Adviser. After substantial delays the 55 senior executive positions were being recruited. In March the PA wrote to DPM requesting the acting HR Manager be placed in the unattached pool due to changes within the administration. The SHP Governor then froze the recruitment and selection process. The Acting HR Manager took the matter to court and SHP argued in return that the court had the

option to extend the injunction over the HR Manager position alone and allow the other 54 positions to progress. The matter was eventually resolved and the SNS adviser continued to support the process.

13. September 2009 - ISP Strategic Management Services Agreement

This paper compared traditional managing contractor models with the Implementing Service Provider model. The ISP model is a new and evolving approach that supports AusAID implement better international development practice as articulated in the Paris and Accra Declarations. The ISP model encourages AusAID to strengthen its bilateral relationships across levels of PNG government and to build in-house intellectual property. The issue of ISP Strategic Support to SNS was developed. The following recommendations were made:

- The ISP is ready and able to provide AusAID with strategic management information and advice in four major ways: monthly strategic meetings; ISP initiated alerts; briefs prepared at AusAID's request or as an ISP initiative; and ISP six monthly progress reports.
- Monthly meetings should be planned for a monthly date and time and changes should be mutually agreed.
- ISP alerts to AusAID should be received within a continuous improvement culture rather than a blame assignment approach.
- Briefs require adequate time and personnel resources. Issues raised should be discussed and decisions made within appropriate time frames. The ISP needs to be proactive in understanding the reasons AusAID requests briefs.
- Issues raised in six monthly reports need to be discussed and addressed. The ISP appreciates AusAID feedback on six monthly reports.

14. September 2009 – Briefing Paper on GIF Staffing

GIF is a funding mechanism for activities and projects approved through the Autonomous Bougainville Government's (ABG's) annual planning process which meets GIF funding criteria. However, the perception has evolved that GIF is a discrete program. The GIF office is approached directly in relation to applications and the GIF staff provide assistance in both the application process and technical aspects of infrastructure applications. Requests for assistance come from all quarters, including politicians and other community leaders. This has created substantial workloads for the GIF staff who feel obliged to assist where they can. The difficulty is that this assistance perpetuates the misconception of program independence and passively encourages others to directly approach GIF.

Prior to the current arrangements the GIF was managed by a private accounting firm and was limited to financial management with no involvement in the activities themselves. Consequently, activities were often late in commencement and their progress was not monitored. The GIF review observed that "...in practice, the funds drawn down have not matched the funds committed due to several factors, including low capacity for the implementation of activities."

This situation had been recognised prior to the review and, when ISP assumed responsibility for GIF coordination, AusAID requested the role be re-scoped. Consequently, the role of the GIF coordinator has evolved to include elements of project implementation, monitoring and follow-up. It is acknowledged that this should, more appropriately, be a function of the

administration once sufficient resources are in place. Nonetheless, at present, the GIF coordinator is largely responsible for moving a number of the activities forward. The expanded role of the GIF coordinator is demonstrated by the substantial increase in transactions and dollar value of GIF expenditure.

The ISP proposed that a GIF Project Officer position be created to support the GIF Coordinator. The GIF Coordinator role should be filled by someone with strong accounting credentials, who will manage the GIF office and provide the financial management expertise required. Financial reporting be strengthened and follow the quarterly cycle of the PNG financial year. The Project Officer would work closely with administration officers to assist them improve work practices. Initially both positions could be funded by AusAID, or the GIF itself, but would articulate across to ABG over a five year period, with ABG picking up an additional 20 percent of the position's costs each year.

15. October 2009 – Briefing Paper on ISP Security Incidents

The ISP experienced five security incidents during a 10 day period in October and AusAID requested a specific brief on the incidents.

16. October 2009 Briefing Paper on internal Audit Program

This paper was an update on the ISP's management of PPII and GIF Trust Funds and included a risk assessment of each of these Funds.

Funds are deposited into trust accounts from the head trust account, currently held by the DNPM (see separate brief on this matter dated 18 October 2009). Phase II provinces receive up to PGK 1 million each year, deposited in a single amount. The funds are applied against approved projects in the province's annual plan and are drawn down and transferred into the province's operating account. Funds are then expended and accounted for within PGAS. The trust accounts are managed by provincial officers. Typically, the Provincial Administrator, a Deputy Provincial Administrator and the Provincial Treasurer are signatories to the account, with any two to sign. ISP is not a signatory. However, a term of the funding agreement provides the ISP Team Leader with the power to freeze the trust account in the event of maladministration of the account. Legal opinion, while not unequivocal, has confirmed that the power can be exercised by ISP.

The ISP conducts regular internal audits and annual external audits are contracted to audit service providers. A number of audit finding are common to all accounts; in addition some provinces have issues which are specific to their circumstances. While audit findings have been characterised as 'housekeeping' they nonetheless indicate a deviation from acceptable standards. Following completed audits the team has been able to identify risks, both common to all provinces and particular to individual provinces.

The ISP recommends that the following "Alternative Strategy" be considered.

Close all provincial PPII trust accounts and transfer the head trust account to DPLGA which would request ISP to manage it on its behalf. This maintains the lead agency role of DPLGA and establishes a reporting link between DPLGA and ISP. Signatories would be drawn from DPLGA and ISP.

ISP will make quarterly tranches, in accordance with the province's annual plan cash flow projection, to the operating account upon the acceptable acquittal of the quarter prior to the previous quarter's advance (e.g. 3rd quarter funds would be released on the acquittal of 1st

quarter funds, Q4 on Q2's acquittal and so on). Acquittals will be verified by audit performed by ISP on behalf of DPLGA and action taken will be determined by DPLGA in conjunction with ISP. This offers a number of advantages including:

- It limits the exposure of AusAID and ISP to potential fund misuse.
- It frees the provinces of intermediary funds transfer steps but still requires the use of GoPNG systems (PGAS).
- It simplifies the process by removing the need for separate Trust Instruments for each province. Funding Agreements could be standardised and simplified into a more concise Conditions of Funding document.
- It removes any uncertainty surrounding the legality of ISP freezing provincial trust accounts.
- It addresses the ongoing problem of DNPM's stewardship of the head trust account.

17. October 2009 - Brief on ISP direct contact with Provincial Administrations

The ISP, as part of its contractual obligations under the Sub National Strategy Arrangement, manages seven Provincial Trust Accounts that hold funds provided by PPII Program. Part of the management of the provincial trust accounts relates to mitigating risks associated with the operations of the provincial trust accounts. To help achieve this, ISP employs a team of auditors to carry out internal audits of the provincial trust accounts. Only two of the seven PPII provinces have responded to internal and external audit findings. The ISP had been restricted from communicating directly with Provincial Administrations and all correspondence had to go through DPLGA. This has hampered the efforts of the ISP trust account management team to make meaningful progress in terms of addressing the audit findings and implementing the recommendations set forth.

Another major issue relates to poor monthly financial reporting by provinces. Financial reporting by provinces on a monthly basis to ISP is a requirement under the PPII Funding Agreements signed between the provinces and ISP. A reporting template has been developed by the audit team which captures all the information required and, if completed and submitted to ISP on a timely manner, should further reduce the need for regular audits. However, the 'restriction' placed on ISP prevents it from addressing inadequate reporting directly with the provinces and the burden again falls to DPLGA.

An example of an audit issue that remains unresolved since April this year, relates to the apparent misapplication of PPII funds by the West New Britain Provincial Administration to fund overtime payments for staff who worked extra hours during the Administration's restructure exercise in September 2008. An internal audit of the West New Britain Subsidiary Trust Account in early March this year uncovered the misapplication. A letter was issued by DPLGA in April to WNBPA to respond to this and other audit issues. However, to date no response has been received and the matter remains unresolved.

ISP recommends that DPLGA task the ISP to engage directly with the provinces in regards to outstanding audit matters and monthly reporting. Provincial Liaison Officers will be notified by ISP and DPLGA will be briefed on outcomes. The aim is twofold; firstly to ensure more timely responses from the provinces; secondly to enable ISP, through its trust accounts management team and provincial finance advisers, to support the provincial finance departments to develop compliance systems that can be applied to all areas of the province's financial management and reporting obligations.

The ISP requested the PPII Secretariat to allow the ISP to liaise directly with provinces in matters relating to audit findings with the objective of resolving the issues promptly.

18. October 2009 – Briefing Paper on DNPM Management of Trust Accounts

There have been substantial delays in getting DNPM to distribute funds from PPII main trust account. This problem is not new and 2008 Trust funds were not released until as late as October.

Two further points should also be made:

- DNPM was unable to ascertain the current bank balance of the main trust account and the receipt of 2009 PPII funds from AusAID from its own records and requested ISP to provide bank statements to confirm same. This is despite DNPM having a statutory obligation to report on the trust account each month to the Department of Finance.
- At the most recent external audit of the main trust account, the auditors were unable to engage with DNPM and had to complete the audit from records maintained at ISP.

The ISP recommends that DNPM's involvement with the PPII trust account should be reviewed. The ISP also recommended that DPLGA should be the agency to manage the head trust account on behalf of GoPNG.

The ISP's recommendation was endorsed by the PPII Secretariat and then the PPII Steering Committee in October 2010 and the Main Trust Account transferred to DPLGA in May 2011 and 2010 and 2011 PPII funds finally transferred to provinces in June 2011.

19. October 2009 – Briefing Paper on NCOBA Audit issues

This brief has been prepared as a follow up to a previous briefing paper dated 7 August 2009. It was prepared to demonstrate that issues of concern relating to the NCOBA subsidiary account of the Governance Implementation Fund (GIF) had been addressed. While some issues have been satisfactorily addressed, work is still progressing on other issues.

The ISP has provided support to NCOBA in addressing issues identified in the external audit for the year ended 31 December 2008. Issues identified in the external audit have been addressed by putting in place strategies to ensure GIF NCOBA Subsidiary Trust Account operations comply with the GIF Financial Procedures Manual (FPM).

After 30 days, all issues identified in the external audit were addressed, except for the acquittal of two cash advances. This was pointed out to the acting director who requested assistance from his staff to address the matter. Acquittals that had been missing were eventually found and made available to the ISP. The accountant working closely with NCOBA said that all issues raised in the external audit have been adequately addressed. Based on the above, the ISP recommended that the temporary hold placed on the GIF NCOBA Subsidiary Account be lifted so that funds could once again be accessed.

20. December 2009 – Briefing Paper on Southern Highlands Province

This paper briefed AusAID on logistical issues relating to full-time deployment of advisers to Mendi, SHP. These issues included:

- Accommodation;
- Security;
- Communications;
- Travel between Mendi and Mt Hagen; and

- Political Instability.
-

2010

1. Bougainville Governance Implementation Fund (GIF) Arrangements Document

This was an update to the GIF agreement which was to provide a financing mechanism to the Government of PNG and the Autonomous Bougainville Government to assist implement autonomy, improve good governance, improve service delivery and implement necessary public sector reform in Bougainville.

2. February 2010 - Updated brief on PPII Trust Fund West New Britain

Updated brief to AusAID on the Provincial Performance Improvement Initiative (PPII) West New Britain Province potential fraud case relating to payment of overtime using PPII funds. This matter was a successful resolution of internal audit finding. The ISP advised that, after ten months, the issue of the misapplication of PPII funds of K 30,424.10 from the PPII West New Britain (WNB) Province Subsidiary Account had been resolved successfully. The WNB Provincial Administration refunded the same amount into the subsidiary account on 19 January 2010.

3. February 2010 - ISP Proposal for Provincial Trust Account Management

This paper was an ISP proposal for Provincial Trust Account Management. As part of its responsibilities under SNS, Coffey International Development, as the ISP, manages the funds provided by AusAID and distributes to provinces participating in the Provincial Performance Improvement Initiative (PPII). The underlying tenet has been to employ GoPNG systems in this process, firstly to avoid the inefficiencies of running a parallel system and, secondly, to strengthen the capacity of provincial administrations in the use of GoPNG processes. The theory behind this approach is fully supported by ISP; however, the practical problems that have been experienced during the last 12 months indicate that the current process needs review.

The ISP recommended that the head trust account be transferred from DNPM to DPLGA. It further recommended that all subsidiary and provincial PPII trust accounts be closed and DPLGA and ISP enter into an amended funding agreement with each participating province. The ISP would make quarterly tranches, in accordance with the province's annual plan cash flow projection, to the operating account upon the acceptable acquittal of the quarter prior to the previous quarter's advance (e.g. 3rd quarter funds would be released on the acquittal of 1st quarter funds, Q4 on Q2's acquittal and so on). Acquittals would be verified by audit performed by ISP on behalf of DPLGA and action taken will be determined by DPLGA in conjunction with ISP. Funds would be transferred directly into the provinces' operating accounts using the PGAS warrant system.

4. May 2010 - Implementation Issues - GoPNG Public Investment Program (PIP) Disbursements to SNS trust account

DPLGA Capacity Building Division (CBD) received K1 million from the GoPNG Public Investment Program (PIP) in 2009 and 2010 as a contribution to budget support for PPII. The Director of the Capacity Building Division (CBD) and the SNS Program and Deputy Program

Directors agreed for DPLGA to contribute K200,000 of CBD's K1 million PIP funds to PPII Incentive Funds. The assumption was that the K200,000 would be transferred to the SNS Main Trust account for disbursement to PPII provinces as part of 2010 incentive funds. AusAID requested the ISP to assist the Director, CBD to facilitate the transfer of the K200,000 into the SNS trust accounts. However, the Trust Instruments specifically exclude funds other than those from the Government of Australia being held in the Trust Account. The paper discussed this situation and offered several options to address the issue.

5. May 2010 - ISP Strategic Support to SNS

This paper builds on previous briefs and reports submitted to AusAID. Traditional models of AusAID contracting saw its officers develop high level bilateral relationships, manage the contract and monitor & evaluate managing contractor (MC) performance. However, the MC set program/project strategy and built relationships with government counterparts, either with or without AusAID's direct involvement. The Implementing Service Provider (ISP) contracting model is a new and evolving approach that supports AusAID to implement better international development practice as articulated in the Paris and Accra Declarations. The ISP model encourages AusAID to strengthen its bilateral relationships across levels of PNG government and to build in-house intellectual property.

Both GoPNG counterparts and AusAID have requested the ISP to provide strategic advice and options. AusAID has advised that the "ISP's role includes ensuring AusAID and other SNS stakeholders are constructively and proactively advised of options and issues for delivering the Programs agreed objectives and interventions".

The ISP also believes there are times it needs to raise matters to build understandings, implement process changes and review and refine Program strategies. This is an effective method to share information to progress debate and inform decision-making. It is in keeping with the SNS Program Design Document's focus on Lessons Learned. The ISP will also use SNS Lead Advisers to identify areas of interest or concern identified by Advisers and counterparts. These may be presented as discussion papers or integrated into Adviser workshops. The ISP believes there is a special need to capture learnings in relation to capacity building and will be working with Lead Advisers in the first instance to capture stories, approaches and examples of better practice. These will be reported in ISP six monthly progress reports to AusAID and in quarterly reports which are supplied to adviser counterparts.

6. June 2010 - Case Studies of Sub National Strategy Advisers

This paper was produced for AusAID at short notice for information for potential use to respond to Senate Estimates Committee questions. It profiled four SNS Advisers and the contribution they were making to SNS specifically and the AusAID development program in PNG more generally.

7. June 2010 - Management of Technical Advisers (TA)

This discussion paper considered issues of SNS Adviser management. It discussed the identification, scoping, recruitment and selection, mobilisation, induction and placement of advisers. The role of the ISP is to provide in-country logistical support including performance management, reporting and accountability and completion of an advisory assignment, including terminations.

8. June 2010 - Contract limit for number of advisers and recruitment and procurement fees

The ISP and AusAID had been negotiating a contract variation since late 2007. This was in response to the rapid growth of the Program, especially in the first year, which saw the Program recruit the number of advisers it was projected to by the end of four years in three years. Since the first version of the contract amendment there have been many changes as Program circumstances, priorities and needs changed over time. The ISP understood the contract variation was imminent and continued to progress both procurement of goods and recruitment of approved positions in good faith. The ISP has now reached the contractual limit of \$AUD80,000 for the Procurement Fee, 52 full time equivalent (FTE) advisers and 50 recruitments.

This brief advised AusAID that a contract variation was needed to increase the ISP's contractual limits before the ISP could recruit or procure any additional resources.

9. August 2010 - Central Province Budget for Minimum Priority Areas

This briefing paper was written to clarify some ongoing confusion regarding the development of the 2010 budget by Central Province. Concern has been expressed that "Central Province did not budget against the health MPAs in its 2010 budget (but instead budgeted for "district health")." The two are not mutually exclusive; Central did prepare its budget to reflect expenditure at the district level and also budgeted so that expenditure on Minimum Priority Activities (MPAs) could be monitored at that level.

The Sub-National Strategy Finance team and National Economics and Fiscal Commission (NEFC) team put together a response to address this concern. Both teams strongly support improvements in Central's budgeting process although they recognised there was room for continued improvement. The team went to the effort of putting this brief together because they are concerned that a lack of understanding and experience in developing budgets by stakeholders has led to questions being asked about the technical competence of the respective teams. Central Province's budget structure has improved significantly with support from the Provincial Performance Improvement Initiative (PPII).

10. September 2010 - Update Brief to AusAID on the Governance Implementation Fund (GIF)

Updated brief to AusAID on the Governance Implementation Fund (GIF) Bougainville case relating to perceived over-commitment of GIF funds for furnishing of district staff houses. The purpose of this paper was to finalise an AusAID open potential fraud case which had actually only been an error in reporting.

11. December 2010 - Tarlena High School Water Supply Project

This brief was on the status of an audit issue within the Bougainville Governance Implementation Fund (GIF). The issue concerned GIF funds and the systems and processes established by the Autonomous Bougainville Government (ABG) to safeguard the expending of these funds. It relates to the awarding of a contract to a local Bougainville based contractor for the provision of scoping of works services for the establishment of a water supply system at the Tarlena High School.

2011

1. February 2011 - Options for support for ISP nominated Gender Adviser for SNS

The brief informed the AusAID Program Director of options for selection of a Gender Adviser. The role of Gender Adviser had been vacant since the untimely death of Enaha Kwa in March 2010. The position was advertised in late 2010 and interviews held. The panel was unanimous in selecting Bessie Kilavanwa as the person for the job. However, AusAID expressed some concerns as Mrs Kilavanwa had never previously been employed as a Gender Adviser. The ISP recommended Mrs Bessie Kilavanwa to AusAID, noting that she may need some support to access world better practice in gender interventions and strategic report writing. However, it was noted that Bessie has had considerable success in a similar role in the Basic Education Development Program (BEDP).

2. February 2011 - PPII 2011 Non-Technical Assistance Capacity Building Plan

This brief was developed for PPII Secretariat Approval of Non-TA Capacity Building Plan for 2011. The ISP will support DPLGA to continue to refine and build on non-TA based capacity building activities with a specific focus for SNS given the impact of the TA review. There will be increasing efforts on capacity building activities that are outside of the traditional means of technical assistance in meeting capacity needs and priorities of key stakeholders of SNS – both at the national and provincial levels.

Non TA methods will focus on long term strategic outcomes related to service delivery to ensure there is an available skilled work force to deliver services at sub-national levels. Approaches will be analysed and proposed to SNS partners with emphasis on how an activity contributes to improving sustainable service delivery.

These activities include:

- Professional Diploma in Legislative Drafting – in 2011, at this stage three individuals have been identified to participate in the Professional Diploma in Legislative Drafting
- Diplomas in Human Resource Management
- Provincial Exchanges
- Twinning support for the Sandaun Physical Planning Unit - there is a need for skilled and experienced provincial officers to support the provincial Land Boards to implement the devolved physical planning functions; this will be further explored in early 2011.
- Work placements and secondments between National Agencies and Provincial Administrations and a financial audit program to strengthen financial management. The CEC and Lead HR Adviser in consultation with DPM and DPLGA are exploring DPM secondments to Provincial Administrations to improve HR capacity in the provinces following the devolution of HR powers and also strengthen DPM's understanding of how to provide HR support to the province.
- The proposed non-TA activities, including Twinning support for the Sandaun Physical Planning Unit were supported by DPLGA in late 2010.

3. May 2011 – Finance Adviser Support to Provincial Management Teams

In response to a request by the Sub National Strategy (SNS) Program Director this briefing paper has been prepared by the SNS and NEFC adviser teams. The paper provides specific

examples of how finance advisers have supported Provincial Management Teams to implement the National Economic & Fiscal Commission's (NEFC's) Reform of Inter-governmental Financing Arrangements (RIGFA) and generally improve provincial finance functions.

4. May 2011 - DPLGA Potential Communication Opportunities

This paper is intended to provide an overview of potential communication opportunities for DPLGA informing discussions using communications as a tool for effective service delivery.

Appendix 6

ISP Account Reconciliation

CON 41966 Amendments 1. Schedule 2

Financial Summary	Financial Limitations \$A	Invoiced Expenditure \$A	Variance
Personnel Costs	3,724,800	3,717,000	7,800
Fixed Management Costs	3,776,784	3,776,784	0
Variable Management Costs	5,242,512	4,390,222	852,290
Fees and Allowances	6,017,000	5,819,614	197,386
Program Implementation Personnel and Procurement Costs	30,000,000	29,370,447	629,553
TOTAL	48,761,096	47,074,067,	1,687,029
PIPP Procurement			
Procurement Advisers	24,662,144		
Procurement Consumables	2,423,676		
Procurement Capital items	2,284,627		
The Basis of Payments			

PERSONNEL COSTS

Personnel Costs paid are:

- (i) Based on a five (5) day working week input, except for those Personnel in-country where in-country duration is expected to be short (and the rates quoted are daily as distinct from monthly);
- (ii) Based on twenty (20) days per month (when the fee is required to be pro-rated to a daily basis, such as at the start or end of the Contract), except for those Personnel where in-country duration is expected to be short (and the rates quoted are daily as distinct from monthly);
- (iii) Inclusive of all personnel related taxes and levies incurred in PNG and Australia, with the exception of GST for Services performed in Australia Inclusive of superannuation levy, if any, as appropriate;
- (iv) Inclusive of paid annual leave allowances, to accrue on a pro rata basis per twelve months' continuous engagement on the Program, performance to a satisfactory standard, including all costs such as airfares to and from PNG (at the economy rate), and includes accommodation, utilities and private transport costs;
- (v) Inclusive of accommodation and utilities costs;
- (vi) Inclusive of vehicle and associated operating costs;
- (vii) Inclusive of escalators for the duration of the Program;
- (viii) Inclusive of mobilisation/demobilisation costs. Mobilisation/demobilisation costs incurred at the time of Technical Team Personnel mobilisation and demobilisation including: any necessary medical clearances and inoculations, uplift of effects, passport and visa costs, and storage;
- (ix) Inclusive of other Technical Team Personnel costs which are not specified within the Fixed Management Costs; but
- (x) Exclusive of any profit, overheads, administration or management fee or any other mark-up on the part of the Contractor.

2. **FIXED MANAGEMENT COSTS**

2.1 Fixed Management Cost is Inclusive of all high level management and management support costs, including all costs for the Support Staff;

- (a) Inclusive of all office establishment and associated ongoing operating costs which includes but is not limited to:
 - (i) All lease costs;
 - (ii) Rent and utilities payments; and
 - (iii) Purchase and ongoing maintenance and replacement of all office equipment;
- (b) Inclusive of all vehicle and associated operating costs for the Support Staff not included in Personnel Fees;
- (c) Inclusive of all transport and travel costs for Support Staff not included in Personnel Fees;
- (d) Inclusive of all domestic and international communication costs incurred in PNG or in the location of the Contractor's head office, but excluding communication costs for Technical Advisers;
- (e) Inclusive of financial management costs and costs associated with management of the trust and imprest accounts;
- (f) Inclusive of personnel security costs for all personnel operating in PNG, but excluding security costs for Technical Advisers;
- (g) Inclusive of insurances required under the Contract;
- (h) Inclusive of taxation (other than personnel related taxation) as applicable;
- (i) Inclusive of health, medivac, worker's compensation, liability and indemnity insurances for all personnel operating in PNG;
- (j) Inclusive of costs of complying with the Contractor's reporting obligations under the Contract;
- (k) Inclusive of costs associated with all personnel briefings in Australia or in PNG, but excluding personnel briefing costs for Technical Advisers;

- (l) Inclusive of all escalators for the Fixed Management Costs;
- (m) Inclusive of all other costs not explicitly stated elsewhere in this Schedule 2; but
- (n) Exclusive of Personnel Fees

3. **VARIABLE MANAGEMENT COSTS**

- 4. Variable Management Costs for Technical Advisers and Administration Support Officers was paid and calculated as a monthly dollar amount, based on eight 'bands' of average numbers of Technical Advisers and Administration Support Officers in each month, over the life of the Program.

5. **FEES AND ALLOWANCES**

5.1 Fees and Allowances are paid following items:

- (a) **Recruitment Fee of A\$27,100** per Technical: A fee per Technical Adviser recruited is paid in arrears based on the number of new starters arriving in country in a given month. The fee includes costs associated with advertising, interviewing and referee checking. It does not cover mobilisation or demobilisation costs which are included as part of the Technical Adviser Monthly Fee.
- (b) **Procurement Fee of 4%** for the procurement of goods and services will be paid based on a percentage of the total value of the procurement. The Procurement Fee is for procurement of goods and services in accordance with the agreed Annual Program Plan.
- (c) **Program Related Travel Costs** for both **Travelling Allowance** and **Airfares** paid for work related and properly approved travel for both Contractors' staff, Technical Advisers and GoPNG Counterpart Agency Staff in accordance with specified rates up to a maximum total amount of **A\$4,000,000**. This cost also include accommodation, per diems, hire car costs and any other costs incurred while on project related travel

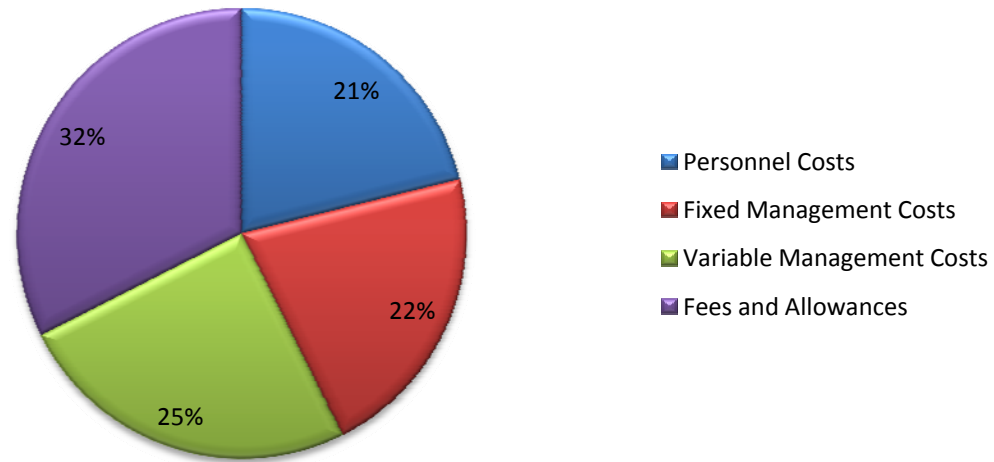
6. **PROGRAM IMPLEMENTATION PERSONNEL AND PROCUREMENT ACCOUNT**

6.1 Technical Adviser Monthly Fees is paid from the Program Implementation Personnel and Procurement and are:

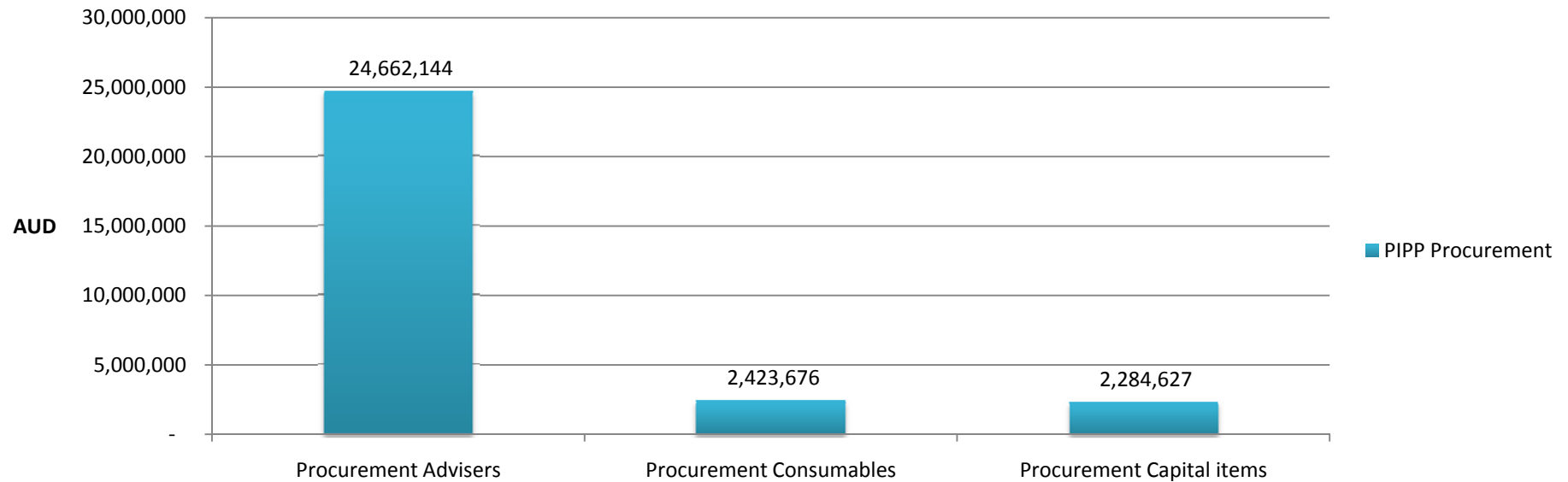
- (a) Based on a **five (5) day** working week input, (for Long-Term Technical Advisers this is based on a daily fee and actual input);

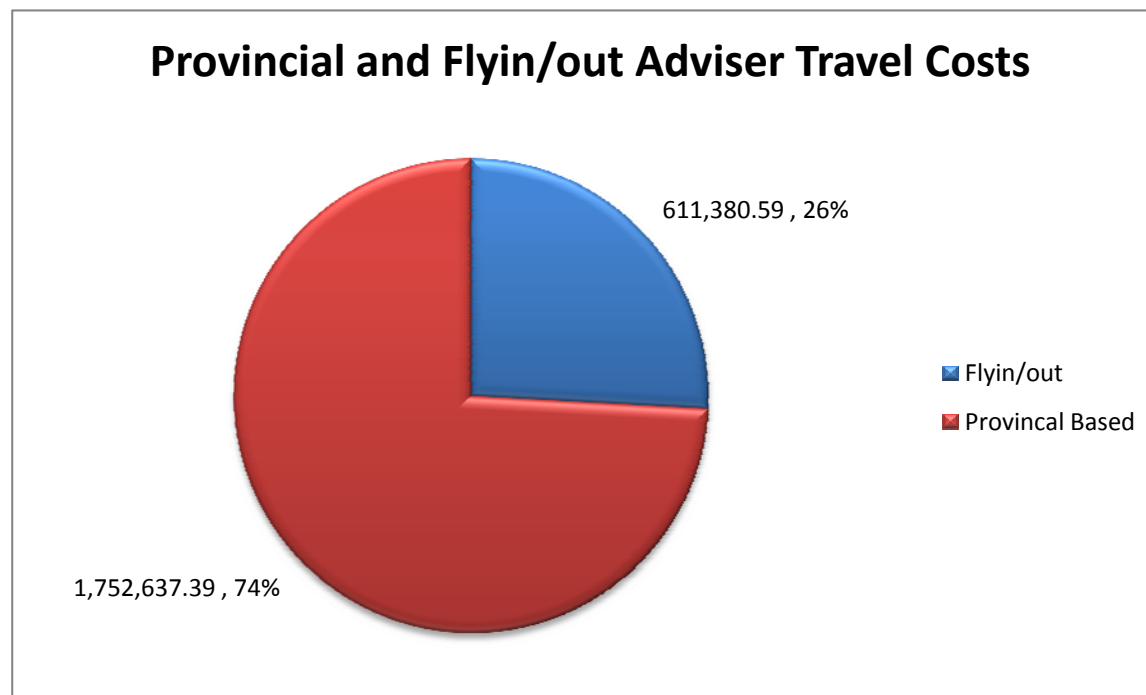
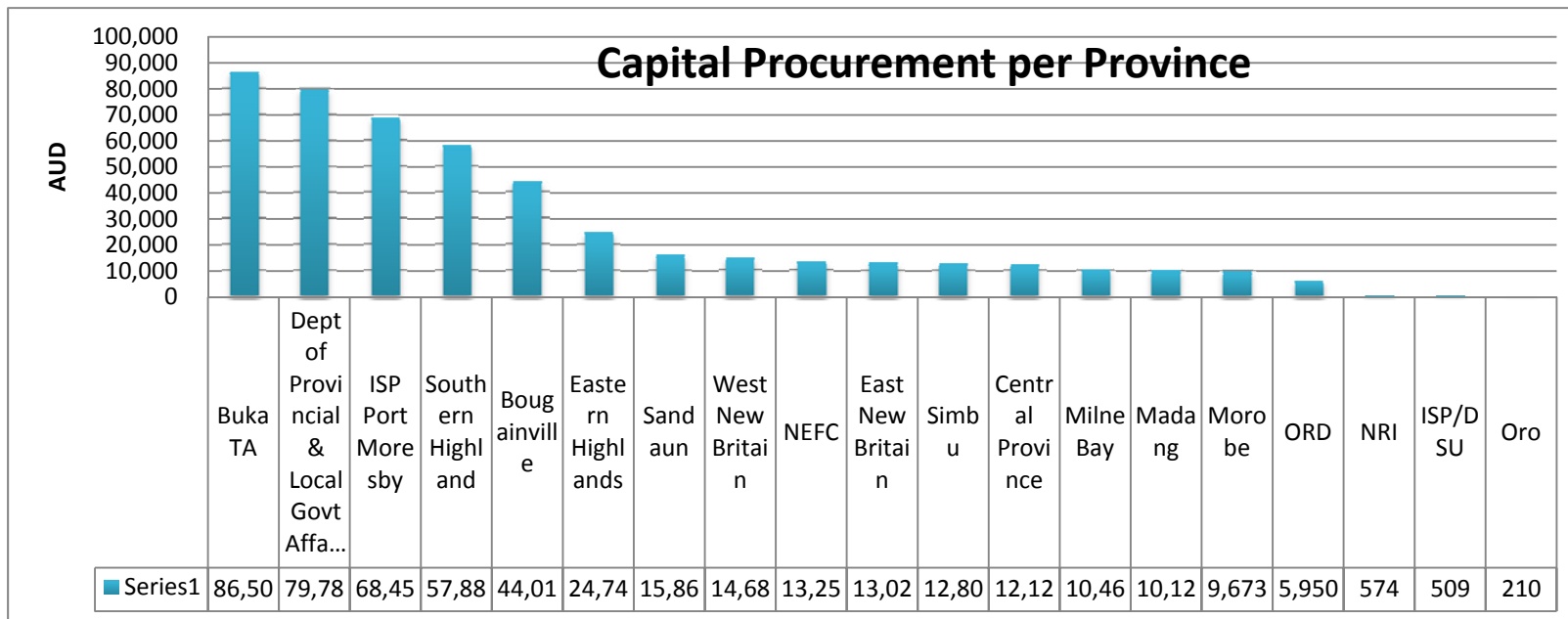
- (b) Based on twenty (20) days per month (when the fee is required to be pro-rated to a daily basis, such as at the start or end of the Contract);
- (c) For Short-Term Periodic Technical Advisers this is based on a daily/ weekly fee and actual input. Where a daily fee is applicable;
 - (i) Input is on the basis of a seven (7) day working week for inputs provided in PNG and five (5) day working week for inputs provided in Australia.
 - (ii) Per diems (accommodation, meals and incidentals only) for Short-Term Periodic Advisers for input periods in PNG are reimbursed through the Program Implementation Personnel and Procurement Account.
- (d) Inclusive of all personnel related taxes and levies incurred in PNG and Australia, with the exception of GST for Services performed in Australia;
- (e) Inclusive of superannuation levy, if any, as appropriate;
- (f) Inclusive of paid annual leave allowances, to accrue on a pro rata basis per twelve months' continuous engagement on the Program, performance to a satisfactory standard, including all costs such as airfares to and from PNG (at the economy rate), and includes accommodation, utilities and private transport costs;
- (g) Inclusive of accommodation and utilities costs;
- (h) Inclusive of vehicle and associated operating costs;
- (i) Inclusive of escalators for the duration of the Program;
- (j) Inclusive of mobilisation/demobilisation costs. Mobilisation/demobilisation costs are costs incurred at the time of Technical Team Personnel mobilisation and demobilisation including: any necessary medical clearances and inoculations, uplift of effects, passport and visa costs, and storage;
- (k) Inclusive of other Technical Assistance Adviser Personnel costs which are not specified within the Variable Management Costs; but
- (l) Exclusive of any profit, overheads, administration or management fee or any other mark-up on the part of the Contractor.

ISP Expenditure Breakdown



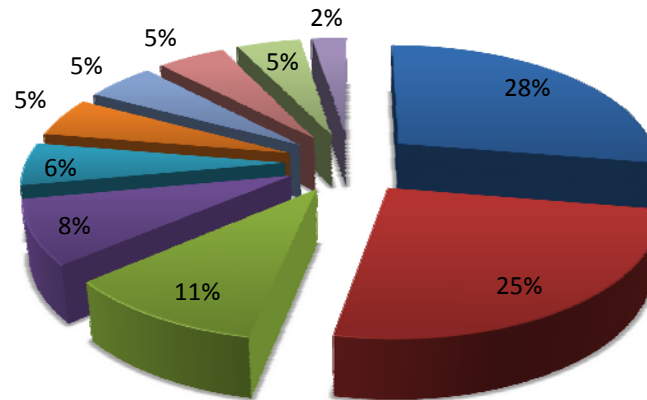
Program Implementation Personnel and Procurement Account





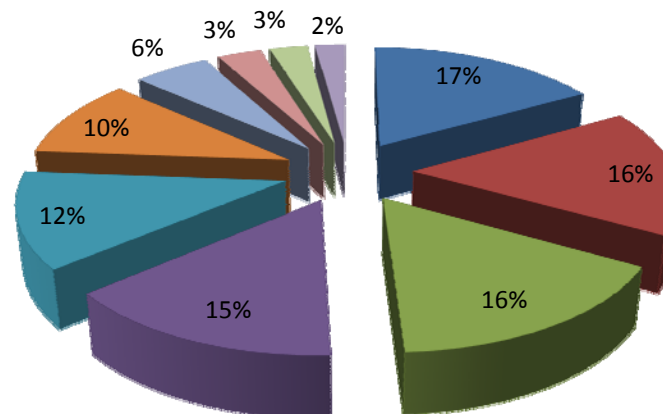
Top 10 Provinces/Agencies - Counterpart Tavel

NEFC DPLGA Bougainville Peer Review Milne Bay
 Sandaun PNG Wide (\$119) Eastern Highlands East New Britain Central Province



Bottom 10 Provinces/Agencies - Counterpart Tavel

ORD Western Highlands Morobe Southern Highlands Oro
 PLLSMA Madang ESP New Ireland Gulf



Appendix 7

Summary of PPII Incentive Payments for the period 2005 - 2011

Summary of PPII Incentive Payments for the period 2007-2011

Year	PPII Funding (Kina)	Total Available	Yearly Expenditure	Amounts Carried Over	% of Expenditure
PHASE II:					
1. CENTRAL PROVINCE					
2005	1,000,000	1,000,000	2,000	998,000	0%
2006	1,000,000	1,998,000	508,000	1,490,000	25%
2007	-	1,490,000	976,000	514,000	66%
2008	600,000	1,114,000	944,000	170,000	85%
2009	1,000,000	1,170,000	408,610	761,390	35%
2010		761,390	408,610	352,780	54%
2011	1,000,000	1,352,780	170,254	1,182,526	13%
TOTAL	4,600,000		3,417,474	1,182,526	74%

Balance per bank statement as at 30/07/2011

1,182,525

2. EAST NEW BRITAIN PROVINCE					
2005	1,000,000	1,000,000	830,000	170,000	83%
2006	1,000,000	1,170,000	845,000	325,000	72%
2007	500,000	825,000	497,000	328,000	60%
2008	1,500,000	1,828,000	847,000	981,000	46%
2009	1,000,000	1,981,000	793,943	1,187,057	40%
2010		1,187,057	793,943	393,114	67%
2011		393,114	330,810	62,304	84%
TOTAL	6,000,000		4,937,696	62,304	82%

Balance per bank statement as at 30/07/2011

62,304

3. EASTERN HIGHLANDS PROVINCE					
2005	1,000,000	1,000,000	331,000	669,000	33%
2006	1,000,000	1,669,000	455,000	1,214,000	27%
2007	1,000,000	2,214,000	958,000	1,256,000	43%
2008	1,000,000	2,256,000	810,642	1,445,358	36%
2009	1,000,000	2,445,358	810,642	1,634,716	33%
2010		1,634,716	810,642	824,074	50%
2011		824,074		824,074	0%
TOTAL	5,000,000		4,175,926	824,074	84%

Balance per bank statement as at 30/07/2011

824,073

4. MILNE BAY PROVINCE					
2008	500,000	500,000	475,527	24,473	95%
2009	1,000,000	1,024,473	186,450	838,023	18%
2010	1,000,000	1,838,023	591,524	1,246,499	32%
2011		1,246,499	246,468	1,000,031	20%
TOTAL	2,500,000		1,499,969	1,000,031	60%

Balance per bank statement as at 30/07/2011

1,000,031

5. SANDAUN PROVINCE					
2009	500,000	500,000	228,000	272,000	46%
2010	1,000,000	1,272,000	202,642	1,069,358	16%
2011		1,069,358	59,077	1,010,281	6%
TOTAL	1,500,000		489,719	1,010,281	33%

Balance per bank statement as at 30/07/2011

1,010,281

Year	PPII Funding (Kina)	Total Available	Yearly Expenditure	Amounts Carried Over	% of Expenditure
TOTAL PHASE II	19,600,000		14,520,784	4,079,216	74%
PHASE I:					
1. SIMBU PROVINCE					
2008	500,000	500,000	118,783	381,217	24%
2009	0	381,217	58	381,159	0%
2010	0	381,159	-11,311	392,470	-3%
2011	500,000	892,470	462,349	430,122	52%
TOTAL	1,000,000		569,878	430,122	57%

Balance per bank statement as at 30/07/2011 **430,121**

2. WEST NEW BRITAIN PROVINCE					
2008	500,000	500,000	249,071	250,929	50%
2009		250,929	220,969	29,960	88%
2010		29,960	14,947	15,013	50%
2011		15,013	14,795	218	99%
TOTAL	500,000	795,901	499,782	218	100%

Balance per bank statement as at 30/07/2011 **218**

3. MADANG PROVINCE					
2010		-	43	43	
2011	500,000	500,043		500,043	0%
TOTAL	500,000	500,043	43	500,043	0%

Balance per bank statement as at 30/07/2011 **500,044**

4. MOROBE PROVINCE					
2010		92	51	41	
2011	500,000	500,051	96	499,955	0%
TOTAL	500,000	500,142	146	499,955	0%

Balance per bank statement as at 30/07/2011 **499,955**

5. MANUS PROVINCE					
2010	-	-			
2011	500,000	500,000		500,000	0%
TOTAL	500,000	500,000	-	500,000	0%

Balance per bank statement as at 30/07/2011 **500,061**

TOTAL PHASE I	3,000,000		1,069,629	1,930,338	36%
TOTAL PPII	21,600,000		5,715,031	6,009,554	26%

Balance per bank reconciliation as at 31/07/2011
(All Provinces Trust Account) **6,009,595**

Appendix 8

GIF Trust Funds Reconciliation

Governance & Implementation Fund Summary of Sources and Application of funds through the GIF Main Trust Account for the years 2004 to 2011									
	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
	K	K	K	K	K	K	K	K	K
Opening balance & BBF	0	1,207,610	2,459,847	4,073,992	1,230,992	2,118,085	176,259	370,042	
Add: Sources of funds									
AUSAID	1,987,504	2,452,050	2,154,500	0	0	12,529,403	7,497,920	10,490,800	37,112,177
NZAID	1,000,000	1,000,000	0	2,063,325	1,028,600	2,452,200	2,799,435	3,740,385	14,083,945
UNDP	100,000	0	0	0	0	0	0	0	100,000
Interest earned	20,325	0	10,128	43,835	68,269	201,682	123,206	33,346	500,790
Term Deposits recalled	896,866	900,357	3,000,000	1,500,000	2,000,000	1,000,000	7,000,000	1,000,000	17,297,223
Other sources	0	0	0	0	0	0	483,579	0	483,579
TOTALS	4,004,695	4,352,407	5,164,628	3,607,160	3,096,869	16,183,285	17,904,140	15,264,531	69,577,714
Less: Application of funds									
BPRO/NCOBA Trust Account	400,000	100,000	50,000	200,000	200,000	500,000	1,103,890	770,000	3,323,890
Bville PA Trust Account	400,000	3,000,000	500,000	1,750,000	2,009,751	7,625,069	9,700,000	1,800,000	26,784,820
Transfer to ISP/SNS	0	0	0	0	0	0	906,000	0	906,000
Term Deposits	1,997,000	0	3,000,000	4,500,000	0	10,000,000	6,000,000	12,000,000	37,497,000
Bank charges	85	170	483	160	25	42	467	89	1,521
TOTALS	2,797,085	3,100,170	3,550,483	6,450,160	2,209,776	18,125,111	17,710,357	14,570,089	68,513,230
Closing balance & BCF	1,207,610	2,459,847	4,073,992	1,230,992	2,118,085	176,259	370,042	1,064,483	1,064,483
Balance per bank reconciliation @ 31/05/2011									1,064,483
Variance									0.00
<u>TREND ANALYSIS:</u>									
% Income									
Income: (2004 base)	100%	109%	129%	90%	77%	404%	447%	381%	
% Expenditure									
Expense: (04 base)	100%	111%	127%	231%	79%	648%	633%	521%	

Appendix 9

Capacity Building Framework and Strategy

Capacity Building Framework

Capacity Focus	Framework Aims - Technical Advisers	Framework Aims - ISP Staff
<ul style="list-style-type: none"> • Organisation • Clients: DPLGA (PLD, CBD, PMD & PLLSMA), NEFC, NRI, ORD Provincial Administrations 	<ul style="list-style-type: none"> • To strengthen capability of Advisers to effectively support existing GoPNG systems and processes to improve client performance and service delivery at Sub National level 	<ul style="list-style-type: none"> • To enhance the capability of staff to provide effective and efficient support services to Advisers and SNS partners
<ul style="list-style-type: none"> • Functions and roles • HR, Finance, ICT, Planning, Project Management etc 	<ul style="list-style-type: none"> • To strengthen capability of Advisers to build capacity of client functions and enhance the skills of organization partners, to perform roles effectively 	<ul style="list-style-type: none"> • To maintain staff competencies to support ISP functions and operations
<ul style="list-style-type: none"> • Individual 	<ul style="list-style-type: none"> • To expand and maintain the skills of Advisers for the process of capacity development[1] 	<ul style="list-style-type: none"> • To develop ISP staff skills for work practices and job performance
<ul style="list-style-type: none"> • Cross Cutting Development Issues Gender and Development, HIV/Aids, Economic Development, Anti-corruption and Fraud Control, Environmental Impacts 	<ul style="list-style-type: none"> • To ensure Advisers integrate responses to nominated cross cutting issues in their work practices and support to client organizations 	<ul style="list-style-type: none"> • To ensure staff are aware of the impact of cross cutting issues in their work and services
<ul style="list-style-type: none"> • Special Initiatives 	<ul style="list-style-type: none"> • To enhance capability in areas of special interest to SNS outcomes 	<ul style="list-style-type: none"> • To build corporate capacity of value to the ISP

Capacity Building Strategy

Aims	Initiatives for Technical Advisers	Notes
<ul style="list-style-type: none"> To strengthen capability of Advisers to effectively support existing GoPNG systems and processes to improve client organisation performance and service delivery at Sub National level 	<ul style="list-style-type: none"> Information sessions on GoPNG machinery of government structures and linkages and inter-relationships between SNS partner departments and administrations Induction periods in DPLGA and placement in other SNS agencies Performance reviews with Advisers with participation by client representatives 	<ul style="list-style-type: none"> Program into induction Induction Existing practice
<ul style="list-style-type: none"> To strengthen capability of Advisers to build capacity of client functions and enhance skills of organisation partners to perform roles effectively 	<ul style="list-style-type: none"> Briefings by Lead Advisers on learning's from Advisers work in SNS locations Coaching for Lead Advisers in performance and supervision duties and guiding report preparation for Advisers Peer reviews by Adviser Teams on functional capacity building experiences in SNS agencies and report writing Work plans inclusive of specified capacity building for counterparts Monitoring and partner agency feedback on progress of work plans/performance of Advisers 	<ul style="list-style-type: none"> Extend practice Extend practice Extend practice Improve current practice Improve M&E and feedback
<ul style="list-style-type: none"> To expand and maintain skills of Advisers for the process of capacity development 	<ul style="list-style-type: none"> Coaching by management and Lead Advisers on performance expectations and standards for preparation of reports Coaching in use of MS Office software, excel, word, PowerPoint Training in practical applications of individual and group facilitation, negotiation, presentation and project management (process of capacity development) 	<ul style="list-style-type: none"> Set up practice Set up practice Design and implement

Aims	Initiatives for Technical Advisers	Notes
<ul style="list-style-type: none"> To ensure Advisers integrate responses to nominated cross cutting issues in their work practices and support to client organizations 	<ul style="list-style-type: none"> Information and learning circles on cross cutting issues Coaching by Lead Advisers on cross cutting initiatives in work plans 	<ul style="list-style-type: none"> Extend current practices
<ul style="list-style-type: none"> To enhance the capability of staff to provide effective and efficient support services to Advisers and GoPNG SNS partners 	<ul style="list-style-type: none"> Coaching by Supervisors on work flow and practices Setting performance expectations with Supervisors and conduct of performance reviews 	<ul style="list-style-type: none"> Set up practice Extend current practices
<ul style="list-style-type: none"> To maintain staff competencies to support ISP functions and operations 	<ul style="list-style-type: none"> Teambuilding and work area planning to set priorities Meetings in teams to clarify roles and responsibilities 	<ul style="list-style-type: none"> Extend current practice
<ul style="list-style-type: none"> To develop ISP staff skills for work practices and job performance 	<ul style="list-style-type: none"> Coaching in use of MS Office software, excel, word, PowerPoint Performance reviews and feedback sessions with Supervisors 	<ul style="list-style-type: none"> Set up practice Enhance current practice
<ul style="list-style-type: none"> To ensure staff are aware of the impact of cross cutting issues in their work and services 	<ul style="list-style-type: none"> Information sessions on cross cutting issues for ISP support operations Coaching by Supervisors on applying cross cutting responses to work 	<ul style="list-style-type: none"> Extend current practices
<ul style="list-style-type: none"> To enhance capability (of Advisers) in areas of special interest to SNS outcomes 	<ul style="list-style-type: none"> Determine and assist action on Scholarships if needed Adviser assistance with Executive Development or District Executive Development Programs Adviser assistance in Provincial Exchanges 	<ul style="list-style-type: none"> Set up
<ul style="list-style-type: none"> To build functional and corporate capacity of value to the ISP 	<ul style="list-style-type: none"> Implement Coffey's revised Health, Security, Safety and Environment (HSSE) policy 	<ul style="list-style-type: none"> Policy compliance

Appendix 10

PPII 2005 Framework & 2007 Guide to Services

PROVINCIAL PERFORMANCE IMPROVEMENT INITIATIVE

Framework

1.0 MANDATE

- 1.1 The Provincial Performance Improvement Initiative (PPII) is an initiative of the Government of Papua New Guinea (GoPNG), supported by the Australian Government, to assist PNG's decentralised system of Government.
- 1.2 The PPII was approved by the Central Agency Co-ordinating Committee (CACC) on 12 July 2004.
- 1.3 A Memorandum of Commitment was signed by the Secretary, Department of Provincial and Local Government Affairs (DPLGA), the Secretary, Department of National Planning and Rural Development (DNPRD) and the Minister Counsellor AusAID on 15 September 2004.

2.0 PURPOSE

- 2.1 The purpose of the PPII is to improve provincial public administration and the integrity of planning and budgeting systems for better service delivery.

3.0 KEY PRINCIPLES

- 3.1 *Accountability*: ensure that resources, including finances, are deployed effectively and efficiently with transparency to all stakeholders.
- 3.2 *Sustainability*: use existing systems and build PNG's capacity.
- 3.3 *Affordability*: ensure that initiatives under the PPII can be implemented within available resources and capacity, including the implications for recurrent expenditure.
- 3.4 *Ownership*: – while acknowledging the important role of National Government, each Provincial and District Administration and Local-level Government to take responsibility for and drive the PPII to deliver required outcomes for their communities.
- 3.5 *Performance driven*: – support to Provincial and District Administrations and Local-level Governments is linked to demonstrated performance.
- 5.6 *Policy consistency*: – align with PNG's key policies including the Medium Term Development Strategy, the Public Sector Reform Strategy and the Public Expenditure Review and Rationalisation.

4.0 OVERARCHING STRATEGY

- 4.1 The PPII encourages and supports reform opportunities by capitalising on the initiatives of Provincial and District Administrations and Local-level Governments that have already started developing improvement plans and can show a strong commitment to following them through.

- 4.2 The PPII is flexible, adaptable and responsive and support is tailored to the needs of each participating Provincial and District Administration and Local-level Government. The PPII's influence on outputs and outcomes will vary accordingly.

5.0 OBJECTIVES

- 5.1 Strengthen capacity – decision-making, management, delivery.
- 5.2 Influence political direction.
- 5.3 Harmonise integration of national / donor programs.

6.0 OUTCOMES

- 6.1 Improved public administration in participating Provincial and District Administrations and Local-level Governments:
- appropriate management structures and systems fostering a productive work ethic;
 - improved management of resources – money, people, assets and information;
 - integrated planning and budgetary systems that identify and fund priorities within mandate and fiscal constraints;
 - improved procurement and expenditure control, including containment of misappropriation;
 - transparency and financial accountability, including audit compliance; and
 - continuous improvement.
- 6.2 Targeted and sustained development:
- GoPNG and donors' development funds targeted to agreed priorities with due consideration to the implications for recurrent expenditure over the long term.
- 6.3 Improved services – education, health, roads, law and justice:
- planned service levels stated and achieved with available resources.

7.0 SCOPE

- 7.1 The PPII focuses initially on three Provinces, Central (CP), Eastern Highlands (EHP) and East New Britain (ENBP).
- 7.2 The PPII may be extended to other Provinces at the discretion of the PPII Steering Group based on the success of the PPII.
- 7.3 The PPII is intended to be a long term initiative (5 - 10 years).

8.0 IMPLEMENTATION

- 8.1 The PPII operates as a partnership between the three levels of government in PNG, National, Provincial and Local-level, and donor agencies
- 8.2 DPLGA is the lead implementation agency.

- 8.3 DNPRD is the support agency, particularly in planning and development co-ordination.
- 8.4 Support is provided through existing initiatives of the GoPNG and donor agencies but primarily through the Policy Stream of the PNG Incentive Fund.
- 8.5 The three levels of government in PNG and the donor agencies are each responsible for monitoring the performance of the PPII from their own perspective using existing PNG systems wherever possible.
- 8.6 The participating Provincial and District Administrations and Local-level provide leadership for the implementation of improvement agendas in their respective jurisdictions and provide logistical and counterpart support for the PPII.
- 8.7 A Management Map is attached at Appendix A.

9.0 STEERING GROUP

- 9.1 The Steering Group oversees effective management of the PPII.
- 9.2 The Steering Group is accountable to the National Monitoring Authority (NMA) through the Secretary, DPLGA.
- 9.3 The Steering Group comprises high level representatives from DPLGA, DNPRD and AusAID.
- 9.4 Terms of Reference for the Steering Group are attached as Appendix B.

10.0 SECRETARIAT

- 10.1 The DPLGA Capacity Building Division provides a Secretariat for management of the PPII.
- 10.2 The Secretariat is accountable on a day-to-day basis to the Director, Capacity Building and through him/her to the Secretary DPLGA.
- 10.3 As appropriate, the Secretariat reports to the Secretary DPLGA, the Secretary DNPRD and the Minister Counsellor AusAID through the PPII Steering Group.
- 10.4 DNPRD and AusAID and the PNG Incentive Fund Policy Stream provide human and/or financial resources to work with the Secretariat for the management of their respective responsibilities under the PPII.
- 10.5 Terms of Reference for the Secretariat are attached as Appendix C.

11.0 SUPPORT FOR PROVINCES

- 11.1 Support for participating Provincial and District Administrations and Local-level Governments may include one or more of the following:
- Advisory Support;
 - Direct Financial Support; and
 - Support under other existing programs.
- 11.2 *Advisory Support* is provided by Advisers sourced and managed by the PPII and placed within Provincial and District Administrations and Local-level Governments to work alongside Provincial counterparts in a mentoring and coaching capacity.

- 11.3 *Direct Financial Support* for Provincial and District Administrations and Local-level Governments is linked to their Improvement Programs and resource allocations in their budgets and is provided by the financing of agreed activities, with funds being disbursed in tranches through an Imprest Account linked to PGAS.
- 11.4 Where possible, the PPII further assists Provincial and District Administrations and Local-level Governments by mobilising additional *support under other existing GoPNG or donor programs* of assistance.
- 11.3 To qualify for Support, Provincial and District Administrations and Local-level Governments must meet the eligibility criteria specified in Appendix D.
- 11.6 All Support is subject to satisfactory reviews of the performance of participating Provincial and District Administrations and Local-level Governments.

12.0 CO-ORDINATION

- 12.1 The PPII Secretariat is part of the DPLGA Capacity Building Division, which is responsible for ensuring that it is fully integrated into the operation of the DPLGA in accordance with its Corporate Plan.
- 12.2 The DPLGA Capacity Building Division co-ordinates the work of the PPII and other Divisions of the DPLGA and their combined support to the NMA.
- 12.3 Through the DPLGA Capacity Building Division the PPII:
- facilitates co-ordination of GoPNG and donor initiatives aimed at improving performance at the Sub-National level;
 - uses best endeavours to promote consistency between initiatives; and
 - assists in gaining the prior agreement of the relevant Provincial Administration to the timing and roll-out of an initiative in that Province..
- 12.4 The PPII encourages liaison between DPLGA, National Departments, Provincial and District Administrations and Local-level Governments, which it facilitates where possible.
- 12.5 The PPII serves as a conduit for feedback from Provincial and District Administrations and Local-level Governments on issues that need to be resolved at the national level.
- 12.6 The PPII may establish a Working Group to engage other Departments in the PPII as appropriate but initially this will function on an 'ad hoc' basis and the PPII's main focus will be on consultation and negotiation.

13.0 PERFORMANCE MONITORING

- 13.1 The PPII monitors both the performance of participating Provincial and District Administrations and Local-level Governments and its own performance
- 13.2 Monitoring of the performance of participating Provincial and District Administrations and Local-level Governments focuses on:
- progress in implementing Improvement Programs;
 - actual expenditure compared to budget;
 - how the PPII support has been utilised;

- compliance with any conditions and/or mutual obligations; and
- such other matters as may be required.

13.3 Monitoring of the performance of the PPII focuses on:

- improvements in public administration in participating Provincial and District Administrations and Local-level Governments;
- improvements in expenditure management and financial accountability
- the effectiveness of PPII support strategies and their impact on service delivery;
- the consistency and co-ordination of GoPNG and donor initiatives;
- the management of risk.

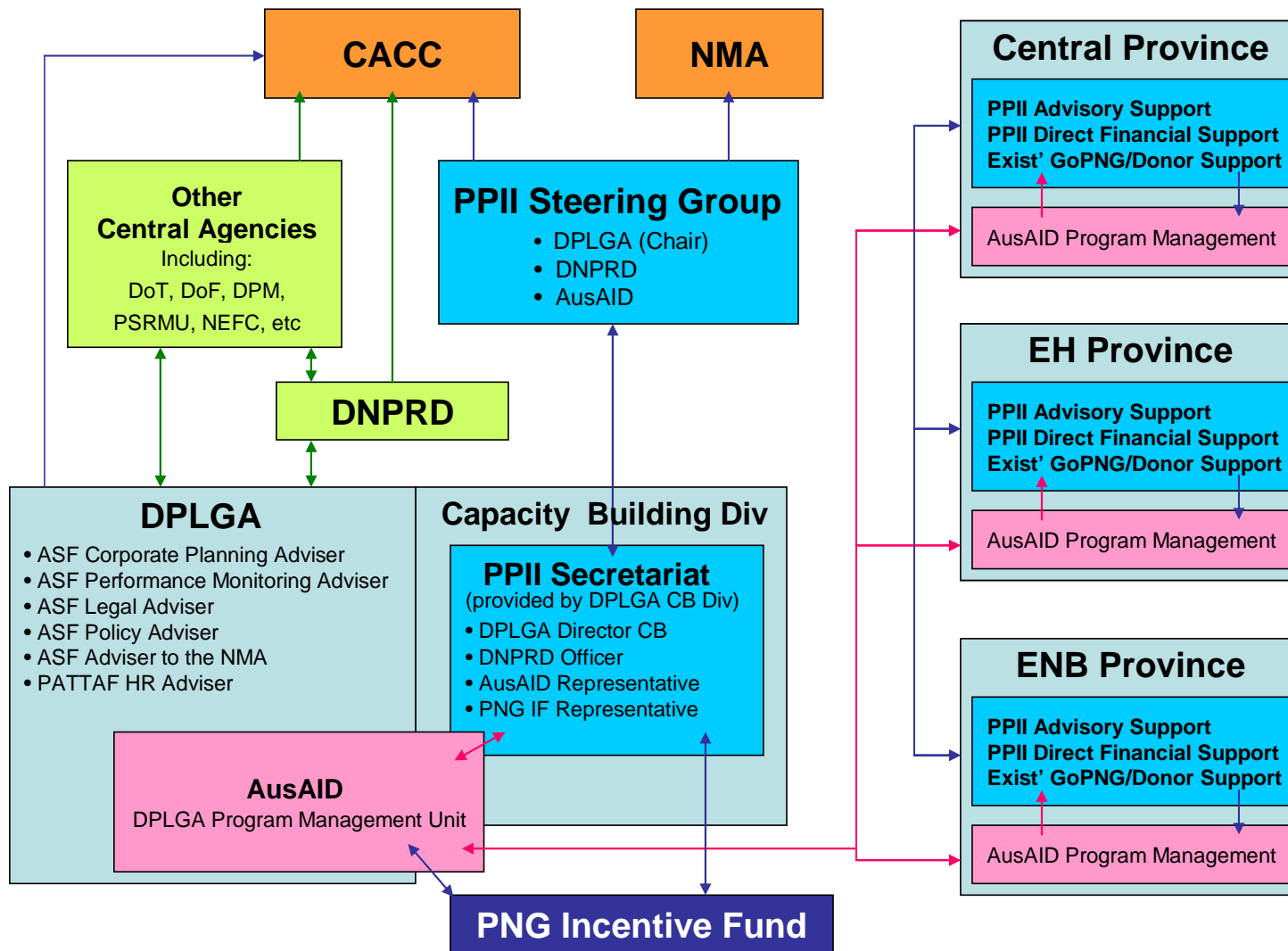
13.4 Quarterly performance reviews are conducted by the PPII Steering Group.

14.0 AMENDMENT TO FRAMEWORK

14.1 Any revisions to this Framework require a resolution of the PPII Steering Group and formal approval by the three signatories.

SIGNATURES

_____	_____	_____
Mr Gei Ilagi MBE	Mr Valentine Kambori MBE	Mr John Davidson
Secretary	Secretary	Minister Counsellor
Department of	Department of	AusAID
Provincial and Local	National Planning and	
Government Affairs	Rural Development	
Date: _____	Date: _____	Date: _____



Guide to Services and Performance Requirements

Under the

Provincial Performance Management Initiative

(PPII)

Department of Provincial and Local level Government Affairs (DPLGA)

Supported by DNPM and AusAID

2007

Inquiries should be directed to the Director, Capacity Building Division, DPLGA

Table of Contents

	Page
Introduction	3
Objectives of PPII	4
Initial Focus of PPII	5
Key Principles	6
Phases of PPII	7
Summary of Program Support under each Phase of PPII	8
Types of Assistance Provided within each Phase of PPII	10
Financial Incentives under PPII	12
Summary of the Phases and Programs of PPII	14
Criteria for Provinces to enter Phase 1	15
Criteria for Provinces to move from Phase 1 to Phase 2	16
Criteria for Phase 2 Provinces to access Financial Incentives in Phase 2	17
Criteria for Provinces to move from Phase 2 to Phase 3	18
PPII Monitoring Arrangements	19
PPII Management Arrangements	20
PPII Operational Chart	22
 Annexes	
Annex 1: Summary of Key Lessons from Pilot Phase	23
Annex 2: Provincial Corporate Management Indicators	24

Introduction

The PPII is an initiative of the Government of Papua New Guinea led by the Department of Provincial and Local Government Affairs (DPLGA) in partnership with the Department of National Planning and Monitoring (DNP&M) and AusAID. The Government of Papua New Guinea through the Central Agency Coordinating Committee (CACC) endorsed the PPII on the 12 July 2004, and stated it should be piloted in three provinces - Eastern Highlands, Central and East New Britain.

Roll-out of the PPII

In October 2005, the PPII Steering Group determined that, on the basis of lessons learnt and the achievements made during the pilot phase of the PPII (refer Annex 1), the Government with AusAID support, should roll out the program to other provinces.

Accordingly, during 2006 AusAID and the Government of PNG prepared a substantial financing program to support the roll out of the PPII. This financing program was endorsed by the Government of PNG and approved by the Authorities in Australia in the third quarter 2006. The roll out has been effected starting 2007.

It is envisaged that an additional six to eight provinces will join the PPII during the course of 2007, besides the three pilot provinces which continue. The remaining provinces will become part of the program in 2008 - 2009.

Access to the PPII remains voluntary on the part of a provincial government and contingent on it meeting required criteria as described in this manual.

This Guide

This short guide presents, in summary form, the key characteristics of the PPII, its benefits for participating provinces, their responsibilities under the program, and management arrangements of the PPII.

The Guide only provides a quick overview of the above. Further details may be obtained from the Capacity Building Division of DPLGA.

The PPII is a flexible and dynamic program with a rolling design. Thus, it is expected this Guide will be updated each year to incorporate new features of the program based on ongoing learnings.

Ultimate Objective of the PPII:

Improved service delivery by provincial, district and LLG administrations through more efficient and effective public administration.

Enabling Objectives:

- Strengthen Corporate Management of the Provincial and District Administrations
- Strengthen relations between Provincial/District Administrations and Elected Leaders
- Streamline National Agency support for Provincial and District Administrations
- Enhance accountability of Provincial and District Administrations for service delivery

Key Actors:

To facilitate achieving these objectives, the PPII will assist concerned GoPNG agencies connected with service delivery to fulfil their mandates more efficiently and effectively:

- *National Agencies* to focus on better supporting the Provinces and Districts (through policies, appropriately allocated budgets and technical support) and better coordinate their planning and support
- *Provincial Administrations* to improve their day-to-day administration and become the real drivers of the development process in the province (they have a coordinating role between national and district levels)
- *District and LLG Administrations* to manage frontline services more efficiently and effectively
- *Elected leaders at the Provincial and LLG level* to work more effectively with the administration at various levels, using their allocated grants to support a consistent strategy for improvements in service delivery.
- *Church and civil society agencies* particularly those which access government funding to help deliver services.

A key challenge of PPII is to help clarify accountabilities of these various actors responsible for service delivery, and how they can better work together in their respective roles to achieve improved public services to the people.

Initial focus of the PPII – Corporate Management of Provincial and District Management Teams

The basic assumption of the PPII is that the Province's Provincial Management Team (PMT) and District Management teams (DMTs) cannot deliver their development plans and services for the people effectively if their respective corporate management, systems and processes are weak, and if their relations with key stakeholders are tenuous as is often the case currently.

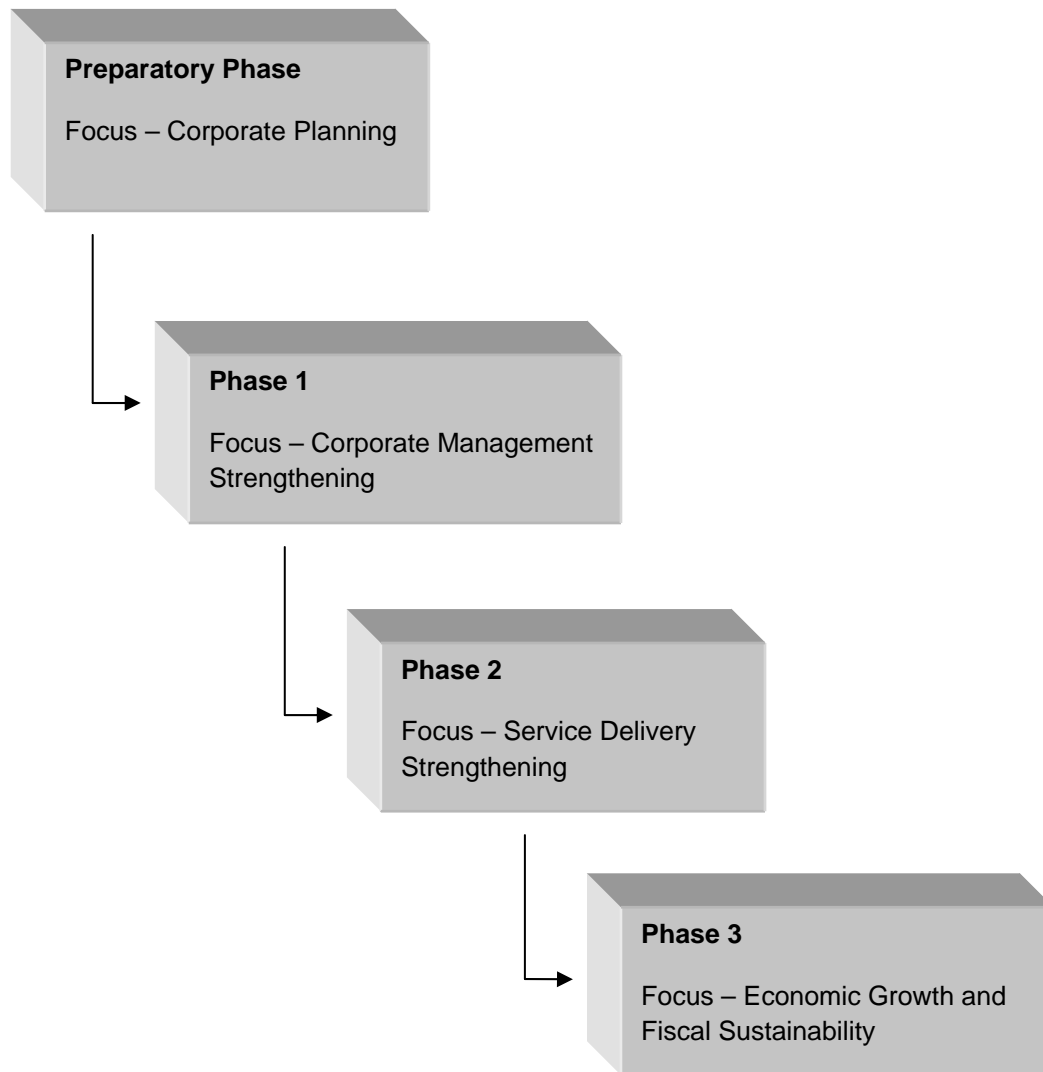
Thus, the initial focus of the PPII, during its Phase 1 in a province, is to help strengthen the PMT and DMTs in the following areas -

- Provincial and District Management Teamwork
 - The PA, Deputy PAs, DAs, Division Heads, Advisers and Treasury Officers need to work together and coordinate effectively
- PMT and DMT Relations with Stakeholders
 - The PMT and DMTs need to work effectively with key stakeholders such as Elected Leaders, National Agencies, Civil Society, Private Sector
 - The support of these stakeholders is critical to improved service delivery
- Performance Management
 - Efficient Performance Planning, Monitoring and Reporting (S119 Report) by PMT and DMTs is essential to good performance and accountability
- Managing the Budget and Financial Systems within the Province
 - Effective links between Budget and Plans; integrated budget management, taking account of all sources of funds.
- Managing Human Resources – the Public Service at the Provincial and District levels
 - Effective personnel structure and HR systems: recruitment, induction, training, performance management and staff appraisal...
- Managing the Assets of the Province – equipment, vehicles, infrastructure, including buildings etc
 - Inventory control, acquisition and disposal systems, maintenance programs etc.

Key Principles guiding the Expanded PPII

- **Service Performance Focus**
Improved service delivery is the primary objective of the PPII
- **Provincial Leadership and Ownership**
The PPII respects, promotes and strengthens the pivotal role of the provincial administrations in coordinating service delivery through the district administrations.
- **District emphasis**
PPII also recognizes that the district is at the front line of service delivery. Hence the emphasis on strengthening management systems at this level
- **Flexibility and Rolling Design**
The context and capacity in each province is different. Thus, the programs should not blue-print the support it offers. It must always remain responsive to the needs expressed by each individual province.
- **Whole-of-Government service support**
The PPII recognizes that provinces need to coordinate various key central and sector agencies' support to the provinces, if service delivery is to be effective.
- **Phasing and Incentive based**
The PPII is broken into phases, with each phase: (i) focusing on a different emphasis, (ii) supporting a sequential process of capacity development, and (iii) offering provinces incremental incentives for performance.

The Four Phases of the PPII



Summary of Program Support during each of the Phases

Program Support during Phase 1 – Corporate Management and Strengthening Relations with Key Stakeholders

(Focus on Strengthening / Re-Establishing Administrative Systems and Processes, and linkages with key stakeholders)

4 Sub Programs plus Budget Support for Capacity Building

- Elected Member Sub Program:
 - Seminars on Roles and Responsibilities of Elected Members
 - Advisory assistance to PECs, JPPBPCs and JDPBPCs to enable them work more effectively with PMTs and DMTs..
- Corporate Management Sub Program for PMTs and DMTs
 - Capacity strengthening in key administrative systems such as performance planning and management, policy development, budget and financial management, HR management, asset management.
 - Assisting DMTs and PMTs to work more effectively with each other and with Elected Members.
- Sub Program on National Agency Support for provinces, districts and LLGs
 - Policy support through strengthening PLLSMA
 - Technical and program implementation support
 - Corporate management support (finance, HR etc)
- Sub Program on Strengthening Collaboration between Provincial and District Administrations with Civil Society and the Private Sector
 - Promoting stronger ties between PMTs and the private sector
 - Promoting stringer ties between PMTs/DMTs/LLGs and Civil Society
- *Budget support* for strengthening corporate management systems/admin facilities (up to K250,000 per annum based on justified needs)

Program Support during Phase 2 - Focus on Service Delivery

- The 4 Sub Programs of Phase 1 continue
- Sub Program on Strengthening Service Delivery through diagnostic performance analysis ('gap analyses) and targeted Capacity Building interventions.
- Budget support for province/districts for both priority service delivery outputs and internal capacity building (up to K1 million based on justified needs)

Program Support during Phase 3 - Focus on Financial Sustainability

- The *Sub Programs of Phases 1 and 2* will continue only as necessary
- Sub Program on Strengthening Revenue Base
- Using the PMTs and DMTs in this Phase as 'Guides' to weaker provinces. This is an incentive for provinces to move into Phase 3 where they are looked up to by weaker provinces.
- Budget support will be reduced in proportion to increases achieved in internal revenue through assistance of this phase

Types of Assistance Provided within each Phase of PPII

1. Training Support (available to all phases)

- Training Programs and Workshops. Examples of those being considered and developed are as follows:
 - Development Planning and Database Management
 - Elected Leaders' Induction Program
 - LLG Leaders Program
 - Project Management, Preparing Proposals for Donor Funding
 - Budgeting and Financial Management (Internal Revenue)
 - Computer Software skills
 - Preparing Policy Briefs for PEC, JPBPPC, JDBPPC
 - Concept Payroll
 - Frontline Management
 - People Management
 - Communication
- Distance learning. Work has begun on the following:
 - District Administrator Program

2. Technical Advisory Support. This support is available during all phases. This support comprises long and short term advisers who are available on request by the province. The range of expertise available are as follows:

- Corporate Plan Implementation (long term, in province)
- Performance Management
- Finance & Budget Management
- Planning and Program/Project Management
- Legal Support
- Economic Policy
- Human Resources Management
- Asset Management
- Information Technology
- Process Improvement
- Monitoring & Evaluation
- Cooperation with Civil Society

Most advisers are based in POM but available for a week at a time to support periodically, based on province needs

3. Financial Incentives.

- Phase 1: Up to K250,000 per annum to finance capacity building
- Phase 2: Up to K1 million for both capacity building and service delivery

4. Inter-Provincial Exchanges and Sharing of Good Practices

- Quarterly Provincial Administrators' Meeting
- Delegation Visits to Provinces with Good Practices
- Assignment of Key Staff from well performing provinces for short term work assignments in weaker provinces
- Assignment of staff to national agencies
- Annual PPII Conference

Financial Incentive Payments under Expanded PPII

Preparatory Phase: Corporate Planning

- No financial incentives. Only advisory support

Phase 1: Focus on Corporate Management Upto K 250,000 per annum

- *Purpose* is Capacity Building
- *Examples* would range from purchase of computers and local TA for information technology assistance, to financing workshops for DMTs and LLGs.
- Must be based on a clearly presented *Capacity Building (CB) Plan* to the PPII Steering Committee (SC). *Submission* of the CB Plan must be *by the third quarter* of each preceding year
- *Approval* will be made *by the SC in fourth quarter* of the year preceding implementation
- *Approval need not be for the amount requested.* The SC retains the prerogative to disallow specific requested expenditures.

Phase 2: Focus on Service Delivery K 500,000 to K 1 million per annum

- *Purpose* is both capacity building and support for service delivery (either development or recurrent financing requirements)
- *Examples* would range from road or jetty repairs to staff housing at a ward level to facilitate more effective service patrols
- *Eligibility criteria fall into two categories –*
 - o *Mandatory Criteria:* (i) the province has utilized the *Function Grants* of the previous year satisfactorily as per criteria and assessment of the NEFC, and (ii) the province has shown satisfactory progress on the *use of the previous year's allocated* PPII incentive payment.
 - o *Province-specific Criteria:* will be negotiated between DPLGA and the PMT before April of each preceding year, based on performance progress and milestones to be achieved.
- *Proposed allocation and use of the incentive payment* must be submitted by the PMT to the DPLGA by the end of the third quarter of the preceding year
- *Amount approved will vary* (between K500,000 and K1 million) and will be based on: (i) population size of the province and (ii) provincial performance against agreed performance milestones and criteria.
- *Approval* will be made by the SC in the fourth quarter of the year preceding implementation
- The SC retains the prerogative to *disallow* specific requested expenditures.

Summary of the Phases of the Provincial Performance Improvement Initiative

Phases	Period	Programs	Financial Incentives	Range of TA Available
Preparatory Phase	One to two years	<ul style="list-style-type: none"> Corporate Plan Workshop Follow up Advisory assistance from DPLGA and advisers 	Nil	<ul style="list-style-type: none"> Corporate Planning Corp Plan Implementation HR Budget & Fin Mgt Performance Management
Phase 1	One to four years	<ul style="list-style-type: none"> Corporate Management Strengthening <ul style="list-style-type: none"> Strengthening PMTs, DMTs, LLGs CP Implementation support, HR, Fin Mgt & Budget, Perf Mgt Elected Leaders Program <ul style="list-style-type: none"> PEC, JPPBPC, JDPBPC, LLGs Familiarization with OL National Agencies' Support for Provinces <ul style="list-style-type: none"> NMA (PLLSMA), Central Agency Support, Sector Agency Support Assisting PMTs/DMTs work with Civil Society and Private Sector 	<p>Up to K250,000/yr For capacity building</p> <p>To be approved by the Steering Committee (SC) based on a CB Plan submitted each year</p>	<ul style="list-style-type: none"> Corp Plan Implementation HR Budget & Fin Mgt Performance Management Legal Policy NMA Adviser
Phase 2	One to four years	<ul style="list-style-type: none"> All the Programs of Phase 1 Strengthening Service Delivery Economic Policy and planning 	<p>K 500,000 to K1 m for CB and Service Delivery</p> <p>To be approved by the SC based on the province meeting agreed eligibility criteria</p>	<ul style="list-style-type: none"> All TA of Phase Gap Analysis in Service Delivery Planning
Phase 3		<ul style="list-style-type: none"> All the Programs of Phases 1 and 2 Strengthening Internal Revenue 	<p>Up to K1 m</p> <p>To be approved by the SC based on the province meeting agreed eligibility criteria</p>	<ul style="list-style-type: none"> All TA in Phases 1 & 2 Internal Revenue

Criteria for New Provinces to enter Phase 1 of the PPII

1. Must have a *Finalized Corporate Plan*
 - a. The PMT has undertaken the Corporate Planning Workshop sponsored by DPLGA
 - b. The Corporate Plan been approved by the Provincial Administrator and has been presented to the PEC. (PEC endorsement is highly desirable)
 - c. Copy of the Corporate Plan has been sent to DPLGA
2. Able to demonstrate that *implementation of the Corporate Plan has begun*
 - a. A Corporate Plan Committee is appointed to coordinate implementation
 - b. Other sub committees (as required) to facilitate implementation have been appointed and are operating
 - c. The PMT has already initiated key actions under the Corporate Plan
3. Has in place a *functioning Provincial Management Team*
 - a. It meets regularly;
 - b. Meeting minutes are maintained;
 - c. Follow up of PMT decisions are tracked and reported
4. Has formally agreed with DPLGA on the *Capacity Building Needs* that it wishes to address with the assistance of DPLGA and AusAID
 - a. Has formally written to DPLGA in this regard

Criteria for Provinces to move from Phase 1 to Phase 2 of the Expanded PPII

(These also serve as the key ‘targets’ for Phase 1 Provinces, in addition to the implementation of its Corporate Plan)

1. Has in place a *functioning Provincial Management Team*
 - It meets at least monthly
 - Meeting minutes are maintained
 - Follow up of PMT decisions are tracked and reported
2. Has in place *functioning District Management Teams*
 - There is a functioning DMT in each district
 - Regular meetings are scheduled and held
 - Meeting minutes are maintained
 - Follow up of DMT decisions are tracked and reported

3. Has *integrated the Planning and Budgeting Processes* so that the annual budget reflects clear links to the 5 year development / Sector plan and MTDS
4. Has an annual budget that *integrates all sources of funding* – national grants, internal revenue, special support grants, GSAT, mining etc
5. Has an annual budget that *clearly indicates allocations* for services district by district
6. An up-to-date *staff database* has been established
 - There is a clear record of *permanent and casual staff* within the province.
7. *Job descriptions* of all positions have been accomplished
8. Has put in place a performance-oriented *staff performance planning and appraisal system*, which focuses on outputs to be delivered by each staff.
9. Has in place a *functioning performance management system* for operations as a whole:
 - Sector division heads and the DAs submit their annual program of outputs and objectives to be achieved
 - Divisions and DMTs submit monthly progress reports to the PA and DPAs
 - Sector and District Programs for the year are printed and available for the PEC, the JPPBPC and the JDPBPCs.
 - Sector program work progress (including expenditure) are monitored, by district, and reported to the PMT and PEC every quarter.
 - Section 119 Report and Reporting on NMA Indicators for each year is submitted by March the following year.
10. Has been submitting *Section 119 Provincial Performance Report* to DPLGA on a timely basis
11. The PMT provides *regular policy-briefs* and *issue-briefs* to the PEC and the Sector Chairmen of the PEC on relevant issues.
12. An *inventory of all key assets* of the province has been established. In particular:
 - Buildings, equipment, vehicles
 - A system for maintaining the asset register is operational
13. An *asset maintenance program* has been developed and is operational
 - A clear budget is allocated for maintenance
 - Staff are assigned clear maintenance duties
14. An *asset acquisition / procurement policy and procedure* is approved and operational

Criteria for Pilot PPII Provinces to access the Incentive Payment of upto K 1 million annually

These criteria will be discussed and negotiated with the PMTs of the PPII Provinces each year.

Criteria for Provinces to move from Phase 2 to Phase 3 of the Expanded PPII⁴

1. The Province continues to fulfil the *criteria applicable for Provinces to move into Phase 2*
 - This implies basic administrative systems and processes work effectively
 - The Administration works effectively with Elected Members, Civil Society and the Private Sector
2. The Province's *Service Delivery performance meets standards* laid down by the PLSSMA and the national departments
 - To be verified by PLSSMA
3. The Province's *senior staff are competent and available to be used as resource persons* to assist other, weaker PMTs and DMTs
4. There are clearly *identified economically prudent revenue strengthening measures in place*

PPII Monitoring Arrangements for Phase 1 Provinces

What is monitored?

- **Performance Targets.** These are essentially the targets each province has set itself in its Corporate Plan. Also refer to Annex 2 on Provincial Corporate Management Indicators.
- **Progress on Capacity Building.** These will be targets set annually by the Province in collaboration with DPLGA when it submits its annual request to the Steering Committee for its annual Phase 1 Financial Incentive Payment.
- **Use of Financial Incentive Payment.** The Secretariat will examine whether funds have been used appropriately and accounted for with due diligence.

Is a Report required?

- Each PPII Province will submit to the PPII Secretariat a Six Month Report, summarizing progress on the above performance indicators.
- The Report should not be more than 10 pages.

By Whom is Performance Progress monitored?

- By the Steering Committee finally.
- However, PPII Secretariat will take operational responsibility to review the reports and undertake monitoring visits as needed. The Secretariat is headed by the Capacity Building Division of DPLGA, and comprises officers from DPLGA, DNPM and AusAID. It is assisted by the Service Provider for AusAID program.

⁴ These Criteria will be gradually expanded as Provinces the PPII program progresses and expands

What is the Periodicity of Reporting and the Monitoring Visits?

- Reports will be submitted by the Province every six months, for instance - 15 August and 15 February
- Monitoring visits will take place at the discretion of the Secretariat and in consultation with the Provincial Administration.

PPII Management Arrangements

The PPII Steering Committee will oversee the program.

Its *key functions* are to – (i) provide strategic guidance to the PPII, (ii) ensure that key national agencies are appropriately coordinated with respect to their involvement and contributions, (iii) provide continued and high level assessment of outcomes, (iv) approve PPII Annual Work Plans, the annual budget and component allocations. The Steering Committee will report PPII progress to the CACC annually.

The SC's *membership* is as follows:

- (i) *Chair*: Sec, DPLGA; (ii) *Deputy Chairs*: Sec, DNP and Minister-Counsellor, AusAID
- (iii) *Members*: Senior Representatives of Departments of PM/NEC, DPLGA, DNP, Treasury, Finance, and Personnel Management. Provincial representation on a needs basis.

The Steering Committee will *meet every six months* in February and July to coincide with key planning/budgeting activities.

The PPII Working Group's function is to ensure due preparation for the bi-annual Steering Committee Meeting is appropriately undertaken. It will comprise the Deputy secretaries of DPLGA (Chair) and DNP, and an AusAID representative. It will meet two weeks before each Steering Committee meeting.

The PPII Secretariat is the 'strategic manager' of the PPII.

Its functions will include: (i) provide day-to-day operational management of the PPII and provide guidance to the Implementing Service Provider (ISP), (ii) to monitor provincial progress, receive reports on progress, and document these for reporting to the Steering Committee, (iii) receive annual work plans and capacity building plans, and endorse these to the Steering Committee for approval; (iv) recommend changes on resource distribution based upon performance assessment information.

The PPII Secretariat's *membership* is as follows:

- (i) *Secretariat Chair*: Director, Capacity Building Division, DPLGA.
- (ii) *Members*: DPLGA Reps., DNP Reps, AusAID Reps., Strategic Management Adviser

While the Secretariat operates on an ongoing basis, all members will *meet formally on a monthly basis* to take stock of progress, review monthly reports, and provide guidance to the Implementing Service Provider (ISP). The ISP will support and facilitate the work of the Secretariat.

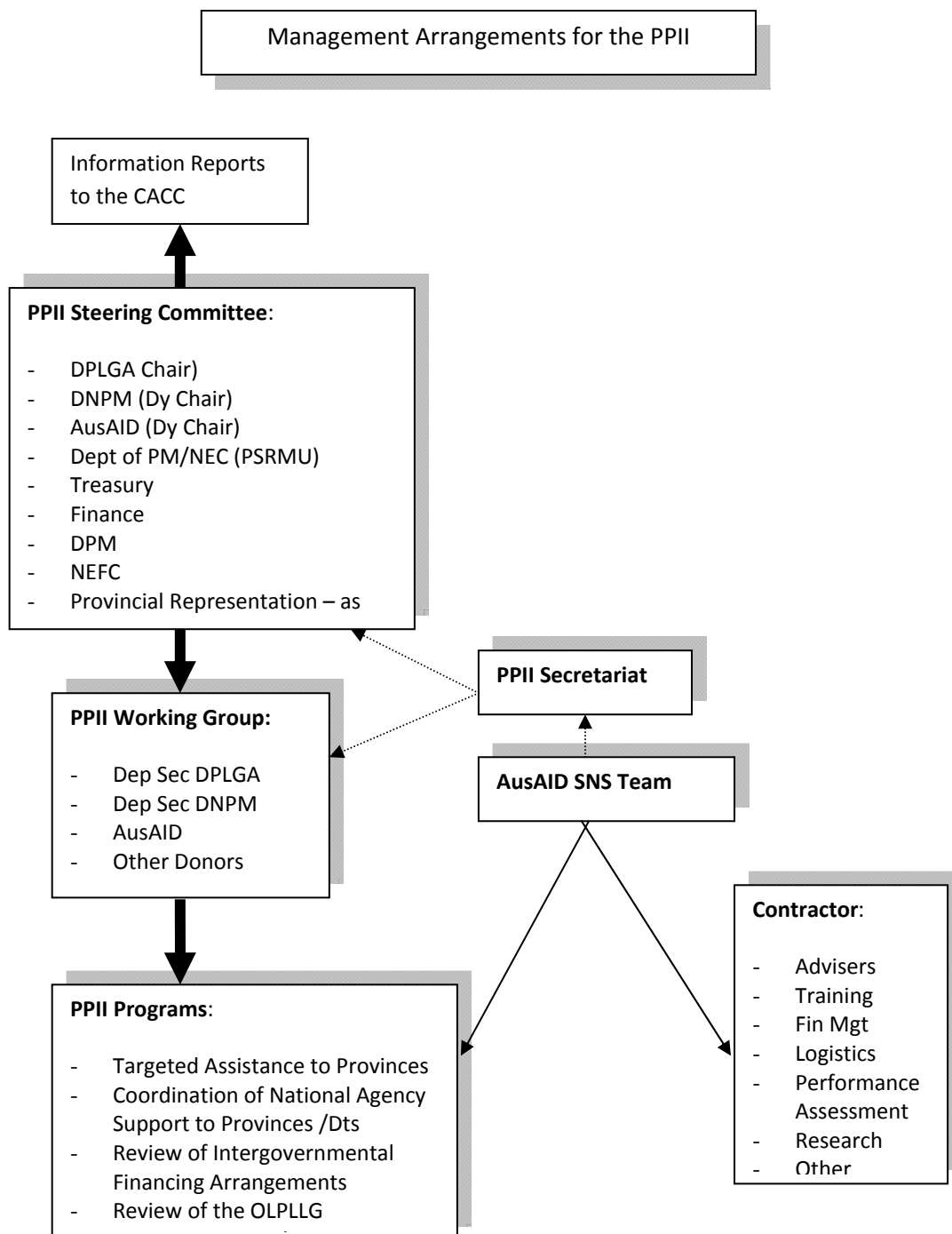
DPLGA's role is to: (i) take primary accountability within GoPNG for the achievement of the outcomes and outputs targeted by the PPII, (ii) coordinate with AusAID and the ISP on the assistance to be provided by them for smooth implementation, (iii) coordinate with other national agencies, both central and sectoral, on their respective roles and responsibilities in implementing the PPII; (iv) seek and obtain approval for its contributions to the PPII, (v) facilitate the linkage of the PPII with other key GoPNG programs and initiatives which also target strengthening the provinces, districts and LLGs with respect to service delivery.

DPLGA will fulfil its role through the PPII Secretariat.

The Implementing Service Provider's role is: (i) to manage the facility which will support the PPII, (ii) work under the guidance of the PPII Secretariat, (iii) provide the inputs as directed by the Steering Committee through the PPII Secretariat.

The AusAID Co-Located Officers' role is to: (i) support the PMTs of each province in the review of their administrative processes and in developing a reform agenda for more effective service delivery, (ii) act as a liaison through which PMTs can more easily access advisory resources for their respective reform processes. (iii) act as focal points within each province on behalf of AusAID, to provide AusAID with an ongoing needs analysis of provincial, district and LLG requirement, (iv) help 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, (v) assist in overseeing the implementation of the PPII and the performance of the ISP and advisors in the province, ensuring that these are indeed responsive to the needs and priorities of the PMT, (vi) provide on-the-job support and skills sharing to key officials in the provincial administration.

PPII Operational Chart



Summary of Key Lessons from the Pilot Phase of the PPII

The key lessons from the pilot phase may be summarised as follows –

- The Provincial Management Team (PMT) is the central coordinating and management body in the Province and hence should be the focus for support from the PPII and other similar initiatives. The PMT need to be empowered to fulfil their role of co-ordinating the development of their divisions/districts, including inputs from national government and donors.
- Strong political (Governor) and high-level administrative support (Provincial Administrator) is a key ingredient to successes and achievements so far for PPII. Lack of this support for PPII can be an impediment to the reform process under the PPII.
- A strong coordinating relationship between the Provincial Executive Council (PEC) and the Joint Provincial Planning and Budget Priorities Committee (JPPBPC) on the one hand and the Provincial Management Team (PMT) on the other appears necessary for sustained service performance improvement. This also applies to the relationship between the District Management Teams (DMT) on the one hand, and the Local Level Governments and Joint District Planning and Budget Priorities Committees (JDPBPC). This is particularly relevant with regard to budget allocation decisions at the provincial and district levels.
- Significant improvements in service delivery are contingent on improvements in corporate management and administration. A strong, effective PMT is essential.
- All levels of government are critical to service delivery. Supporting the correct level of government responsible for service delivery is important – PPII should support the service delivery system, as outlined in the Organic Law on Provincial and Local Level Government, and be mindful not to distort it.
- A district focus on service improvement plans is important. Provinces should identify targets by districts (as against overall provincial targets), as part of their key co-ordination role. Broad provincial targets can obscure targeted planning and implementation.
- There can be an overemphasis on the budget support of PPII. It is management, coordination, and motivational changes in the administration at the provincial and district level that make the most difference in performance.
- Each of the pilot provinces have different capacities with respect to management. The type of assistance provided should account for this (for example more training and capacity building of systems as opposed to more budgetary support). Furthermore we must consider the differing capacities to absorb or effectively sustain any improvements in public administration brought about by the PPII. Therefore measuring the performance of provinces will need to be done under a framework that accounts for these differences. A 'one size fits all' approach should not be used under the PPII.

Provincial Corporate Management Indicators

A Guide for Provincial Management Teams

The Corporate Management Indicators fall within the following six key corporate management results areas –

1. Internal Management and Coordination, and Direction
2. Mobilising Support of Key Stakeholders

3. Budgeting and Financial Management
4. Human Resource Management
5. Physical Assets Management
6. Technical Systems – support for frontline services

PMTs may use this Guide to facilitate identifying where they are deficient in corporate management, and to thereby assist them in their own capacity development program.

The National Monitoring Authority, DPLGA and other National Agencies may use this guide as an audit instrument to identify the level of efficiency of specific Provincial Management Teams.

KRA 1 - Management Coordination and Direction

(Effectiveness of PMT members working with each other)

Corporate Management Indicators	Self Assessment by PMT Scale of 1 – 10 (10 is Excellent)	Independent Assessment eg by NMA Scale of 1 – 10 (10 is Excellent)
<p><u>Roles and responsibilities of the PMT members</u></p> <p>1.1 The <i>PMT is formally established</i>: the PEC, DPLGA and other concerned bodies are formally informed of membership.</p> <p>1.2 The <i>roles and responsibilities of the PMT members</i> are clearly articulated and recorded.</p> <p><u>Management – meetings, reporting, communications</u></p> <p>1.3 <i>PMT meetings</i> are held regularly, adhering to a publicised schedules</p> <p>1.4 <i>Objectives and agenda for PMT meetings</i> are set ahead of time and all members are duly informed</p> <p>1.5 <i>Meeting Minutes</i> are formalized and circulated to members, staff and to PEC</p> <p>1.6 <i>PMT decisions</i> are followed through, tracked and reported on at the following meeting</p> <p>1.7 <i>Sector/Divisional and DMT staff meetings</i> are held regularly, and their agendas aligned with PMT meeting agendas and follow ups.</p> <p><u>Inter-Divisional and District Coordination and Reporting</u></p> <p>1.8 <i>Sector division heads and the DAs</i> meet monthly for coordination purposes.</p> <p>1.9 <i>Divisions submit monthly reports</i> to the PA and DPAs</p> <p>1.10 <i>DMTs submit monthly reports</i> to the PMT for discussion at PMT meetings</p> <p><u>Programming, Monitoring and Reporting</u></p> <p>1.11 <i>Programming of operations at a sector divisional and district level</i> are done annually, based on the 5 year Development Plan, NMA Service Minimum Standards, Resource Availability, and Priorities for the immediate 12</p>		

<p>months</p> <p>1.12 <i>Sector and District Programs for the year</i> are printed and available for the PEC, the JPPBPC and the JDPBPCs.</p> <p>1.13 <i>Sector program work progress</i> (including expenditure) are monitored, by district, and reported to the PMT and PEC every quarter.</p> <p>1.14 <i>Section 119 Report and Reporting on NMA Indicators</i> is completed for each year and submitted by March the following year.</p> <p><u>Coordination between Provincial Administration and Provincial Treasury</u></p> <p>1.15 <i>The Provincial Treasurer and the District Treasurers</i> are members of the PMT and attend PMT meetings</p> <p>1.16 PT/DTs submit <i>Monthly Financial Reports</i> to the PMT</p> <p>1.17 <i>DTs work closely with the Sector/ Division Heads and the DAs on budgeting and expenditure management</i> related to their development work programs</p> <p>1.18 <i>Information on CFCs</i> is provided on a timely basis to the PA, PT/DT DPAs, Sector/Divisional Heads and , DAs and LLGs.</p> <p><u>Corporate Performance Management System</u></p> <p>1.19 A <i>Corporate Performance Management System</i> operates, which links district, division and section performance planning and monitoring to the planning and monitoring of corporate performance of the province.</p>		
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KRA 2 – Mobilizing Support of Key Stakeholders

(Stakeholders include PEC, National Government Agencies, LLGs etc)

Corporate Management Indicators	Self Assessment by PMT Scale of 1 – 10 (10 is Excellent)	Independent Assessment eg by NMA Scale of 1 – 10 (10 is Excellent)
<p><u>PMT/DMT relationships with PEC, JPPBPC, LLGs, JDPBPC</u></p> <p>2.1 The <i>Executive Officer (the PA) to the PEC / JPPBPC</i> always attends PEC /JPPBPC meetings as stipulated by OLPLLG.</p> <p>2.2 The Executive Officer (DA) to the JDPBPC always attend JDPBPC meetings</p> <p>2.3 The <i>PA requires reporting on outstanding PEC decisions</i> at each PMT meeting.</p> <p>2.4 The <i>PEC Chairman</i> is actively involved in the planning/ budgeting process.</p> <p>2.5 All <i>PEC decisions</i> are made within the framework of the Provincial and District Development Plans.</p> <p>2.6 PMT submits to the PEC <i>quarterly implementation progress reports</i> on Development and Corporate Plans.</p> <p>2.7 <i>Annual Provincial Performance Reports</i>, endorsed by PEC, are sent to DPLGA/IGR Minister (S119).</p> <p>2.8 <i>Sector Managers report to PEC</i> (thru the Sector Committee Chairmen) on development plan progress, by sector on a quarterly basis. Reports are vetted by PA.</p> <p>2.9 <i>Sector Committee Members are regularly briefed</i> by Division/Section Heads.</p> <p>2.10 There is <i>clarity of roles between the PEC and the PMT</i>, with the PEC and JPPBPC adhering to their roles as defined in the Organic Law.</p> <p>2.11 <i>LLG Presidents</i> are involved in the District planning and budgeting process.</p> <p>2.12 The <i>JPPBPC and the JDPBPC meet regularly</i> as per the requirements of the Organic Law.</p> <p>2.13 There is efficient <i>coordination between LLGs, JDPBPC and the District</i> administrations.</p>		.

<p><u>National Agencies and Donors</u></p> <p>2.14 The PMT works with National Agencies to establish and maintain <i>up to date sector databases</i>.</p> <p>2.15 The PMT <i>aligns its annual sector program and budget</i> with national sectoral priorities and plans, including MTDS</p> <p>2.16 The PMT provides respective National Agencies with the <i>Province's Annual Program, Budget and Activity Plans</i></p> <p>2.17 The PMT clarifies with each key National Agency, the <i>allocation of sector functions</i>, so that there is <i>clarity of roles and responsibilities</i>.</p> <p>2.18 The PMT has developed a <i>capacity analysis of its needs by sector</i> and communicated this to respective national sector agencies.</p> <p>2.19 The PMT arranges each year a <i>program of technical support</i> from respective National Agencies for its sector-related capacity development and programs.</p> <p>2.20 The PMT has appointed a <i>National Agency Coordinator</i> to coordinate with all Central Agencies.</p> <p>2.21 The PMT also has an <i>Aid Coordination Unit</i> within the Planning Section/Division through which all district and sector submissions for funding are channelled.</p> <p>2.22 The Aid Coordination Unit ensures that it is <i>up-to-date with donor policies and requirements</i> so that donor-funded programs move smoothly forward.</p> <p><u>Private Sector, Civil Society</u></p> <p>2.23 An up-to-date <i>inventory of NGOs, CBOs and major private sector companies</i> operating in the province, district by district, is available.</p> <p>2.24 <i>Information forums</i> for NGOs, CBOs and private sector companies on development issues, sector by sector, are held regularly.</p> <p>2.25 <i>Community participation</i> in programs is used as much as possible</p> <p>2.26 A formal <i>Provincial Strategy</i> exists to facilitate collaboration with private sector and with NGOs.</p> <p>2.27 The PMT encourages the operation of the <i>chambers of commerce</i>, district by district</p>		
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2.28 The Province has established a <i>database of contractors</i> within the province.		
2.29 The Province has established <i>standards for government-funded work</i> by private sector and NGOs in different sectors.		

KRA 3. Budget and Financial Management

Corporate Management Indicators	Self Assessment by PMT Scale of 1 – 10 (10 is Excellent)	Independent Assessment eg by NMA Scale of 1 – 10 (10 is Excellent)
<p><u>Revenue</u></p> <p>3.1 The PMT has an established <i>revenue data base</i> for annual internal revenue forecasting</p> <p>3.2 The <i>revenue collecting and receipting system</i> works efficiently with up-to-date records and reporting to PMT and PEC.</p> <p>3.3 <i>Financial resources framework</i> is developed each year for the planning period.</p> <p>3.4 PMT has a <i>strategy to enhance internal revenue</i> over the medium term.</p> <p>3.5 The <i>Finance (Management) Act</i> requirements are attended to on time.</p> <p>3.6 The PMT assists <i>LLGs with regard to revenue raising strategies</i> and implementation.</p> <p><u>Budget and Expenditure Management</u></p> <p>Planning and Budget officers work closely to ensure a clear linkage between Budget and the Provincial Five-year Development Plan</p> <p>PMT fully participates in Budget formulation</p> <p>All key stakeholders are consulted during the Budget formulation period</p> <p>Approval of the Governor and PEC are sought and obtained at various defined stages, including the adoption of the budget strategy at the beginning of the budget process</p> <p>3.7 <i>Annual development and recurrent budgets</i> are prepared to match available resources.</p>		

Corporate Management Indicators	Self Assessment by PMT Scale of 1 – 10 (10 is Excellent)	Independent Assessment eg by NMA Scale of 1 – 10 (10 is Excellent)
<p>3.8 <i>Budget allocations</i> are as per agreed district development plans and in line with approved annual work plans for development projects and programs</p> <p>3.9 <i>Expenditures</i> adhere to budgets and to development needs and priorities.</p> <p>3.10 <i>Provincial budget information</i> is made available to the public.</p> <p>3.11 <i>Provincial tender policy and guidelines</i> meet with requirements</p> <p><u>Financial Management</u></p> <p>3.12 Provincial Finance Manager / Budget Officer co-ordinates effectively with Treasury Officers on <i>timely posting of Warrants Authorities & Cash Fund Certificate and processing of approved requisitions</i> for Expenditures.</p> <p>3.13 Finance Manager / Budget Officer coordinates and submits <i>timely Quarterly Budget Review Reports</i>.</p> <p>3.14 <i>Monthly revenue receipt reports and expenditure details</i> are submitted to Chief Accountable Officer on a timely basis.</p> <p>3.15 PED undertakes <i>Quarterly Budget Review</i> as submitted by the PA.</p> <p>3.16 <i>Annual Financial Statements</i> for Audit purposes are completed and submitted promptly after close of Accounts for the financial year.</p> <p>3.17 The <i>Finance (Management) Act</i> requirements are fully complied with</p>		

KRA 4. Human Resources Management

Corporate Management Indicators	Self Assessment by PMT Scale of 1 – 10 (10 is Excellent)	Independent Assessment eg by NMA Scale of 1 – 10 (10 is Excellent)
<p><u>Staff Position Allocations and Structure</u></p> <p>4.1 Staff positions within the province <i>are allocated to support effective implementation the Provincial Development Plan</i>. LLGs are adequately staffed to provide essential services.</p> <p>4.2 Up to date <i>job descriptions</i> exist which are relevant to the organization structure.</p> <p>4.3 A <i>Staff Database</i> exists to ensure that positions are staffed with appropriate skills.</p> <p>4.4 <i>Non-working staff</i> are clearly identified and all efforts are made to effect fair separation.</p> <p>4.5 <i>Succession planning</i> system is in place to ensure that key positions are promptly and suitably filled.</p> <p><u>Staff Recruitment and Performance Management</u></p> <p>4.6 <i>Staff recruitment</i> is undertaken efficiently and professionally. No vacant positions remain.</p> <p>4.7 An effective <i>Staff Performance Planning, Monitoring and Appraisal System</i> operates. Managers are duly trained in managing the system effectively.</p> <p><u>Staff Development</u></p> <p>4.8 And effective <i>Induction System</i> is in place for all newly appointed staff.</p> <p>4.9 An up to date <i>Training Needs Analysis</i> is available on staff development needs, and a <i>Training Plan</i> is in place and being implemented.</p> <p>4.10 A <i>Manager Development Program</i> is operating to ensure that managers are able to motivate and manage their staff's performance effectively.</p> <p><u>Staff Discipline</u></p> <p>4.11 <i>Disciplinary action</i> for continued non or poor performance is undertaken in a prompt, fair and objective manner.</p>		

4.12 <i>Staff counselling facilities</i> exist to assist staff who have personal problems.		
<u>Staff Benefits</u>		
4.13 The <i>staff benefits program</i> is adequately budgeted for and managed efficiently.		
4.14 Where staff is eligible for <i>housing</i> , a budget is made available for appropriate maintenance.		

KRA 5. Physical Assets Management

Corporate Management Indicators	Self Assessment by PMT Scale of 1 – 10 (10 is Excellent)	Independent Assessment eg by NMA Scale of 1 – 10 (10 is Excellent)
<u>Inventory and Valuation</u> 5.1 A <i>formal policy</i> on asset management and maintenance exists in the province and districts. 5.2 An <i>inventory/ registry</i> of all assets exist for each district and the province. 5.3 A <i>formal valuation</i> of these assets exists and an insurance policy, where appropriate, has been taken. 5.4 An <i>Inventory Management System</i> operates, including a current <i>Asset Register</i> . <u>Maintenance</u> 5.5 An <i>Asset Maintenance policy</i> exists with a discrete budget and clear responsibilities. 5.6 <i>Priority maintenance needs</i> are addressed promptly. 5.7 An annual <i>Asset Maintenance and Management Report</i> is provided to the PA by the concerned Deputy Administrator. <u>Acquisition, Storage and Disposal</u> 5.8 There exists a <i>formal policy</i> on acquisition, storage and disposal of public assets in the province. 5.9 The policy is <i>carefully adhered to</i> in practice. 5.10 <i>Storage</i> of spare assets is appropriately managed.		

KRA 6. Technical Systems Management

Corporate Management Indicators	Self Assessment by PMT Scale of 1 – 10 (10 is Excellent)	Independent Assessment eg by NMA Scale of 1 – 10 (10 is Excellent)
<p><u>Development Databases</u></p> <p>6.1 Systematic and up-to-date <i>databases</i> exist for the province and each district, by sector.</p> <p><u>Operations Planning, Monitoring and Reporting</u></p> <p>6.2 Formal and <i>program-based performance planning, monitoring and reporting</i> operates, by sector and district.</p> <p>6.3 The Province reports accurately and timely as per <i>Section 119 Report</i> requirements of the Organic Law on Provincial Performance.</p> <p><u>Sector program supports Districts and LLGs</u></p> <p>6.4 Each Sector Adviser has in place <i>technical support arrangements and links</i> with districts and frontline staff to support program planning and implementation</p> <p>6.5 The Division of Policy and Planning monitors and reports on the <i>efficiency and effectiveness of technical support</i> by Advisers to the Districts and frontline staff.</p> <p><u>Linkages with Resource Institutions</u></p> <p>6.6 A list of key <i>partner resource institutions</i> for each sector exists.</p> <p>6.7 There is in place a <i>cooperation program with key resource institutions</i> to obtain their support for priority sector service improvement targets</p>		

Appendix 11

SNS Mid-Term Review (2009) Conclusions and Recommendations

The SNS 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 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.

Conclusions and Recommendations

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.

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 approach. It would be inappropriate to recommend far-reaching change in the program that may unsettle stakeholders, unless this is really warranted. The team, therefore, recommends a continuation of SNS' overall trajectory and recommends adjustments in selected areas only.

Key Areas of Intervention: PPII, National Agencies, AusAID Program Coherence

A main strength of the program is its holistic view of decentralisation and recognition of the need to engage at multiple levels and to link up different initiatives and stakeholders. This is indeed consistent with international good practice. The three main levels of engagement; strengthening national agencies and policy framework, supporting the roll out of the PPII and promoting coherence across the AusAID country program remain critical. Chapter 2 contains specific recommendations with regard to these three levels of intervention. The following is emphasised:

With respect to PPII

- Develop a vision, criteria and incentives for provinces to advance to Phase III. This vision should aim at harmonizing and aligning development budgets through provincial planning, budgeting and reporting systems and focus on strengthening district level implementation capacity.

- 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 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.

With respect to national agencies

- 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.

With respect to Coherence

- 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.

Implementation Modalities

In terms of instruments and approaches to support SNS implementation, the program has drawn on international good practice to guide its support for capacity development and change. Chapter 3 contains specific recommendations with regard to the six aspects of implementation that have been reviewed. The following is emphasised:

With respect to 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.
- Review criteria for incentive payments in a way that encourages effective and efficient execution of approved plans and budgets by provincial/ district administrations.

With respect to Use of Government Systems

- Explore the opportunities of using Phase III of PPII to more closely harmonise and align SNS support with national and provincial systems for PFM and TA management.
- Encourage greater cross-government commitment and ownership of PPII, and stronger links with CACC in the way of reports on the SNS by the PPII Steering Committee and by PLLSMA.

With respect to 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.

With respect to 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 PPII
- 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.

With respect to 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.

With respect to 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.

Appendix 12

Operational Lessons Learned

Date	Description	Review Process	Learning / Action	System Improvement	Champion
Category 1: Program Planning & Strategic Support					
Apr 08	Problems in lack of clarity of ISP role and responsibilities /communication channels to broader stakeholders / Co-Located Officers not being clear on ISP role and mandate. Correspondingly, ISP not being clear on AusAID expectations for communication protocols and expectations.	Issue tabled at weekly management team meetings. Discussed by Team Leader / DTL with AusAID Senior Development Specialist. Idea formulated that a one page communiqué to the broader stakeholder group would be circulated by the ISP each Thursday.	Ensure all communications issues/problems are discussed openly and collegially with partners and identify what each stakeholder's expectations are and what their needs are. Significant turnover of AusAID management (4 Program Directors in 3 years) communication continued to be a challenge for the Program. The regular Strategic meetings between ISP and AusAID were held and followed an agenda following areas outlined in the contract's scope of services. This went a long way to ameliorate the challenge but it requires constant attention.	Regular strategic meetings with AusAID and the ISP	Team Leader
Ongoing	Risk Management	Risk management is tabled at ISP Management Meetings and changes recorded on the Risk Register.	The Risk Register demonstrates the ongoing review process undertaken, with risks being reviewed and updated depending on changing circumstances. A risk based management approach is an effective means of managing. It allows the identification of potential issues and actions if these issues manifest themselves.	Issues Log identifying issues and risks and actions to be taken to mitigate	Team Leader
Category 2: Recruitment and Management of TA					
Ongoing	Move to two year contract period for Advisers	The ISP undertook a review of the contracting mechanism for Advisers during the induction phase. The TL and HR Manager discussed duration of contracts with AusAID – recommending that to obtain maximum impact and ensure continuity of inputs and learning, Advisers should be placed on two year contracts where appropriate.	Justification for contract periods of two years was reviewed by AusAID and approved. The majority of Advisers are now engaged on two year contracts. This is proving to be effective in terms of Advisers developing important relationships within agencies and provinces (which take time – especially in the PNG context) and being able to work plan and set priorities for a longer period. This is showing results in agency/provincial engagement with	Contract duration adapted to the requirements of the assignment	HR Manager

Date	Description	Review Process	Learning / Action	System Improvement	Champion
			the Adviser and also increasing commitment to change.		
Ongoing	Changes to Adviser roles resulting from review of ToRs and Agency requirements	Regular review of ToRs and consultation with agencies has reflected changing requirements as agencies develop capacity.	Adviser ToRs are reviewed at least on an annual basis when Annual Work Plans are Developed. Quarterly reports also ask the adviser to consider if there is a need to revise ToRs. This question is also asked in formal adviser performance appraisals.	Appropriate TORs linked to the changing needs of the assignment	ISP Management Team
Ongoing	Encouraging Advisers to work more collaboratively	When the TL / HR Manager discussed work plan options with Advisers it was identified that there where there is a team of advisers working closely together on targeted activities (such as HR and Finance) it is difficult to prepare individual and integrated work plans.	Advisers working in a team environment now prepare group work plans. This is proving to be more effective in terms of identifying tasks, priorities and outcomes which are to be contributed to by the group as a whole.	Integrated work planning where appropriate	HR Manager
Ongoing	Recruitment procedures modified to reflect SNS requirements	Recruitment processes utilised by the ISP were based on models developed by Coffey ID from successful programs such as the ASF. Changes have been made to processes following each recruitment round in order to continually improve recruitment models. Due to enhanced economic development in PNG, suitable candidates may have multiple offers to choose from and may decline offers in favour of higher remuneration or longer term contracts with other employers.	The operating environment of PNG indicates that it is important to allow for a number of scenarios: More time in recruitment processes in consideration of issues such as panel member availability, travel by panel and candidates, hotel availability. Cost considerations such as the benefits of using video conferencing facilities in lieu of flying people in to Moresby. That PNG National candidates do not perform well in the telephone interview scenario and this needs to be considered in ranking applicants for progress through the selection process. A revised remuneration package should be considered for any extension of the ISP contract beyond 31 May 2011.	Realistic and responsive and flexible recruitment procedures	HR Manager
Ongoing	Explore potential conflict of interest at Recruitment stage	Following a newly contracted Adviser declaring a conflict of interest (due to	Modify Interview questions to include a question regarding potential conflict of interest at the first telephone interview	Recruitment Procedures	HR Manager

Date	Description	Review Process	Learning / Action	System Improvement	Champion
	rather than at contracting stage	political ambitions in the province he was being mobilised to) a review of the timing of declaration of conflicts of interest was reviewed.	stage.		
Nov 10	Misunderstandings between adviser and ISP about T&C of new working arrangements	Reviewed with adviser and Deputy Team Leader and Team Leader Initial discussion with adviser about new T&C but this obviously wasn't enough – it needs to be complimented and followed up with written communication	Verbal discussion is not enough – verbal discussion about T&C need to be followed up with specific and detailed written communications Some verbal discussions can get 'lost in translation'. Don't assume understanding until you have clarified adviser understanding of the issue	Adviser Management processes	HR Manager
Oct 10	Salary sacrifice	At the end of 2009, there was some confusion amongst some staff about salary sacrifice processes – a few staff who had accumulated large amounts of money through salary sacrifice for unutilized airfares thought that these sums of money could be transferred over to the next year, when in fact they are paid out.	A review of all staff salary sacrifice arrangements should be undertaken 1-2 months before end of calendar year to make appropriate adjustments to cease or offset relevant salary sacrifice payments to avoid large sums being accumulates and unutilized. Before each year end, clearly communicate the policy and process to staff so they are aware of the guidelines and policy.	Employment Contract Management processes	HR Manager
Oct 10	Per diems for periodic advisers	Particular adviser who requests ISP book and pay for his accommodation up front which is then reconciled from Adelaide payroll causing administration complexities and delays	Per diem arrangement to be revised so that ISP now book and pay for all accommodation upfront, and provide an AUD125 per diem per day worked in PNG to cover incidentals, meals etc We will commence this new process with John Mooney and roll out to period advisers as they join ISP	Adviser Management processes Logistics and Travel Processes	HR Manager
Jul10	New Periodic Advisers – Understanding Contract	Ensure that the advisers understand the terms and Conditions of Contract	Information on Contract to be integrated into the adviser's induction process	Employment Contract	HR Manager

Date	Description	Review Process	Learning / Action	System Improvement	Champion
				Management processes	
Jul 10	Contract Extension	Process of arranging for contract extension takes time	Expiring contracts are identified 3 months in advance to allow sufficient time for consultation with AusAID and GoPNG Ensure more forward planning.	Employment Contract Management processes	HR Manager
Mar 10	Panel interview's have been delayed and disrupted due to varying levels of experience and awareness of panel interview protocol and process. For example, PAs arriving 1hr late for interviews, mobile phones ringing during interviews, not reviewing candidate CV's prior to the interview	PA's and some interview panel members are not familiar with the panel interview process and protocol – ISP involves PA's and counterparts in the panel interview process as a non TA capacity building exercise. With the recruitment manager, a 1 page document has been developed to send to PA's prior to interview to provide further information about the interview.	A new process is to be introduced whereby a one page document is sent to PA's prior to the interview detailing some basic interview protocol and details of the candidates being interviewed.	Recruitment Procedures	Recruitment Manager
Feb 10	Delays in visa processing	Delays in visa processing originated with Immigration but there are lessons for ISP about how to handle the escalation process	ISP to use Coffey Support Office to lodge and monitor visa applications (they have contacts in Immigration) After application is lodged, follow up within 1-2 weeks to ensure the VARN is lodged in the system Any delays in process should be escalated to the HR manger who should escalate in consultation with the relevant agency Do not mobilise the Adviser from their home base until the visa has been approved and sent to the relevant embassy/consulate	Recruitment Procedures	HR Manager
2009	Weekly Recruitment and Staffing Update distributed by	This update has evolved from a simple weekly update to a comprehensive table of new, existing and planned adviser	This has supported the effective documentation of scoping and recruitment activities and allowed for discussion of issues.	Recruitment Procedures	HR Manager

Date	Description	Review Process	Learning / Action	System Improvement	Champion
	ISP HR Manager.	placements which is sent to AusAID and ISP teams.			
2009	Necessity for Lead Advisers to coordinate with technical advisers	With the range of advisers working in specific technical areas it was identified that there was a need to ensure coordination of technical advice in each technical area. A review of adviser profiles and expected growth in adviser numbers identified the need for Lead Advisers to ensure consistency of advice.	Lead Advisers have been identified and recruited for 3 technical areas to date: Human Resource Management, Financial Management and ICT/Database Development. There is also a Lead Adviser in DPLGA's Performance Monitoring Division (PMD) and in the National Economic and Fiscal Commission).	Adviser Management processes Adviser Effectiveness	HR Manager
Category 3: Operational – Logistics and Administration Support					
Dec 10	Difficulty of securing decent and safe accommodation for Provincially based Advisers	Difficulty of securing decent and safe accommodation in Vanimo. Tes Karai is experiencing issues securing decent accommodation in Vanimo. There is also the possibility of a 3rd adviser joining WSP, may need to support this further	Being aware of the accommodation need well in advance. Liaise with Provincial Administration to seek support and secure accommodation Early engagement with ISP Logistics Logistics receives weekly HR Update	Adviser Recruitment and Mobilisation	HR Team, Logistics Team
Jul 10	Management of accommodation arrangements	Management of accommodation in POM for Provincial participants in a Performance Letter from AusAID. ISP responded to Performance Letter outlining reasons for actions.	On several occasions the ISP has been unable to obtain accommodation in its preferred hotels and has had to use alternative providers. Following complaints from one province over alternative accommodation the ISP has instituted internal processes to ensure senior management is advised when this must occur and affected travelers are informed that alternative arrangements must be made. Those affected will then be invited to nominate an alternative provider suitable to them Changes to accommodation policy to ensure preferred hotels are used and approval required to use any other hotels is sought	Logistics and Travel processes	Logistics Team

Date	Description	Review Process	Learning / Action	System Improvement	Champion
Jun10	Management of accommodation arrangements	Travel arrangement are communicated to all stakeholders immediately at the confirmation travel arrangement especially to the provincial based advisers and counter parts	<p>Communicate to stakeholders the latest update on their travel and accommodation arrangement and offer alternative options if preferred accommodation is fully booked out</p> <p>List of Preferred Hotels developed and used</p> <p>ISP Drivers are assisting counterpart travellers by staying on at the hotel until check-in process is completed to ensure the counterpart is checked into the hotel room</p>	Communicated within travel and logistics team	Logistics Team
Apr 10	ISP Travel Policy Major Policy re-write from Nov 09 – Apr 10	<p>This policy has now undergone four reviews since being developed and implemented by the ISP. Each review has been a result of issues arising which were not previously addressed in the policy.</p> <p>The review process included discussion of changes by the Management Team, circulation of email forums with suggestions for change, reworking of the policy and circulation of the policy for comment and feedback before finalizing.</p> <p>Advisers have been given the opportunity to comment on the policy to ensure it fits with their specific needs.</p>	<p>The ISP needs to undertake consistent policy review to ensure policies are applicable to actual situations. Major learning areas included:</p> <p>Distributions of per diems to Advisers – particularly national advisers – now by electronic transfers fortnightly.</p> <p>Stronger controls put in place to ensure Advisers complete acquittals within seven days of travel.</p> <p>Undertaking an educative process with Advisers in the treatment of per diems – aiming to remove the perception that per diems are considered additional income for the Adviser. Such a perception when working on a governance program could have serious implications for the integrity of the program.</p> <p>The payment of per diems can be a sensitive issue and it is important that people travelling are aware of the payment method and time frame prior to departure; e.g. counterparts flying in from provinces will be brought to the ISP office to collect per diems, rather than being given per diems by the ISP drivers.</p>	<p>Updated weekly travel plans communicated via weekly bulletins and added into the travel checklist</p> <p>Acquittal form inserted in the travel wallet.</p>	Services Manager Logistics Team
Apr 10	ISP Vehicle Policy Major Policy re-write from Nov	This policy has undergone at least four reviews since being developed and implemented by the ISP. Each review has	The ISP needs to undertake consistent policy review to ensure policies are applicable to actual situations. Major learning		Services Manager

Date	Description	Review Process	Learning / Action	System Improvement	Champion
	09 – Apr 10	<p>been a result of issues arising which were not previously addressed in the policy.</p> <p>The review process included discussion of changes by the Management Team, circulation of email forums with suggestions for change, reworking of the policy and circulation of the policy for comment and feedback before finalizing.</p> <p>Advisers have been given the opportunity to comment on the policy to ensure it fits with their specific needs.</p>	<p>areas included:</p> <p>Distribution of new vehicles to National Advisers in particular creates further issues of security of vehicle and use of the vehicle by non authorized family members.</p> <p>This required stronger control around vehicle usage and changes to the Motor Vehicle Use form Advisers are required to sign on induction.</p> <p>Complaints by advisers that vehicles have been returned with left fuel than they left with as resulted in a check sheet being used by drivers at the time of vehicle drop off and pick up to ensure the vehicle is returned in the same or better condition with the same amount or more fuel</p>		
Mar 10	Logistics Reporting of security incidents and loss or theft of AusAID property	During the changeover of personnel in the Logistics Coordinator position certain established reporting systems were not consistently applied.	Logistics Coordinator to provide a monthly report to the Team Leader identifying issues and actions for the previous month, including that reports and insurance claims has been processed.	Logistics systems and general management	Logistics Coordinator
Ongoing	Laptops frequently getting stolen	Safekeeping of laptops by Advisers was not at acceptable levels. This has been discussed and reviewed by the Management Team for Advisers and for the ISP staff to ensure and improvement in this area.	<p>Emphasis on laptop safety during Adviser induction was introduced. The focus was on how to better safeguard laptops and improved security procedures.</p> <p>Communicate via Bulletin regarding laptop safety – regular message goes into bulletin every week regarding safe care of laptops</p>	Logistics systems and general management	HR Manager

Date	Description	Review Process	Learning / Action	System Improvement	Champion
Ongoing	Revisions to Program Procedures Manuals	The contractual obligation is to report on changes to the manual on a six monthly basis as per contract requirements. However review of procedures is undertaken on an as required basis by the ISP and has the manuals have become living documents which are updated as required.	Rationale and learning from this is that procedures need to undergo a regular and consistent review process to ensure they remain applicable to program operations and that procedures are appropriate, accessible and readily utilized by team members. Following an Independent Review Team (IRT) recommendation in 2009 that the "Manual of Procedures should be transformed from an onerous contractual requirement into a functional management instrument" a major rewrite of the manual was undertaken from Nov 09 – April 10.	Overall management and procedures of the ISP	Services Manager
Feb 08	Vehicle Tender and Fleet Management Policy – purchase of new vehicles for the ISP rather than second hand vehicles.	The Project Manager and Regional Manager – PNG undertook a review and tender process in order to implement a more effective fleet management system for the ISP (which had previously utilised second hand vehicles for advisers and staff).	The analysis undertaken showed that buying new vehicles from a provider that could also service and maintain them and then reselling after three years provided the best value for money solution to the procurement requirement. This was presented to AusAID – agreement was reached that this solution was value for money and the ISP could proceed with purchase of new vehicles.	Logistics and Admin processes	Services Manager
Category 4: Capacity Building and Training					
Ongoing	Capacity Building Support needed for Advisers	Performance Appraisals indicated this was an area of development, particularly for National Advisers. In 2009 an external capacity building and training adviser was contracted to develop a capacity building and training strategy for ISP Staff and Advisers	The HR Manager is implementing the revised capacity building and training strategy based on the external consultants recommendations. Adviser work plans have been revised to identify where the placement organisation sits on a staged capacity development continuum (revised work plans will be used by advisers commencing from April 2010 and by all advisers in 2011). Quarterly reports have been altered to better identify and capture staged capacity activities.		HR Manager
Ongoing	Advisers Workshops to be more relevant and effective	Advisers consulted on how to improve workshops and the content	Advisers more involved in the planning and delivery processes. Workshop evaluations are conducted at each workshop and results analysed and feed into the planning of subsequent	Effectiveness of Adviser Workshops	Dvlpmnt Team

Date	Description	Review Process	Learning / Action	System Improvement	Champion
			workshops.		
Apr 10	Adviser and LES Training was needed in some areas, especially ICT training	A training plan is being implemented from April 2010	ICT Training commenced in February 2009. A more extensive training program for advisers will commence once the contract variation is signed off which will allow advisers up to five paid professional development leave days per annum, with ISP and AusAID consent.	Adviser effectiveness and capacity building	HR Manager
2009	Non –TA Capacity Building	There were delays in getting the non-TA capacity building program established.	This area is a high priority for AusAID and a lot of attention is being paid to it. For non-TA Capacity Building activities to be successful a lot of planning, implementation support and monitoring and evaluation is required. Therefore additional ISP resources will be required to ensure the success of Non-TA activities. An additional resource has been recruited and will be funded by Coffey International Development to support the AusAID funded Capacity Effectiveness Coordinator.		Team Leader
Category 5: Funds Management					
2009	Internal Audits on a quarterly basis were too frequent	Following the first two rounds of internal audits the program was reviewed by the ISP management, Trust Accountants and the Finance Advisers.	<p>Planned quarterly internal audits of trust funds have been revised to 1 or 2 audits per year as the activity level in the trust accounts did not warrant quarterly audits.</p> <p>Internal Auditors now also provide some capacity building in the areas of GST returns and monthly Trust Fund Reporting.</p> <p>Internal Audits have been recognised as a form on non-TA Capacity Building and increased effort is being applied to have Provincial Management Teams more involved in the internal auditing process.</p>	Trust accounts management	Senior Trust Accountant

Date	Description	Review Process	Learning / Action	System Improvement	Champion
Performance category 6: Research, Information Gathering and Dissemination					
Dec 10	Social Network site Access Procedures – breaching of ICT policy	To include a procedure on the Access to Social network site in the Policy and Procedures manual	Incorporate into procedures manual and all staff have been briefed on Coffey social network site policies, ICT user code of conduct updated by Coffey Project Support Office.	Administration Procedures Manual updated ICT User code of conduct	Logistics Team
Performance category 7: Performance Management & Assessment of TA					
Mar 11	Performance case and Alleged fraud	Budget and Expenditure Adviser for the Eastern Highlands was assessed by DPLGA for performance issues. There was an alleged case of bribery and the said Adviser was subsequently terminated as a result of the investigation.	The very good relationship with DPLGA ,and local counterparts ensured this case was communicated and actioned expeditiously with AusAID's support; The case highlights the value in strong relationships with counterparts and the ISP will continue to ensure these relationships are maintained.	Management of Advisers	Team Leader, HR Manager
Aug 10	Review of Performance Appraisal system especially for Fly-In-Fly-Out (FIFO) Advisers.	Performance Appraisals for FIFO Advisers to be reviewed as that a wider group of stakeholders can be involved in assessing the TA effectiveness and performances.	Performance Appraisal for FIFO Advisers do not only include DPLGA input but also include the inputs of Provincial counter parts	Management of Advisers	HR Manager