



## Working in decentralised service systems: challenges and choices for the Australian aid program

Office of Development Effectiveness  
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**Cover photo:** Nurse working in Sidea hospital, Sidea, Milne Bay Province, Papua New Guinea. *Photo: Institute for Sustainable Futures, University of Technology Sydney*

#### **Office of Development Effectiveness**

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The Independent Evaluation Committee (IEC) was established in mid-2012 to strengthen the independence and credibility of the work of the ODE. It provides independent expert evaluation advice to improve ODE's work in planning, commissioning, managing and delivering a high-quality evaluation program.

# Foreword

Public services have been decentralised in most countries where Australia provides aid. This means Australia, like other donors, must be willing and able to engage effectively with developing country governments at all levels to improve service delivery. To ensure sustainable improvements, this engagement should carefully coordinate support for governance reforms with assistance to strengthen or expand service delivery systems.

As the World Bank has observed, done well, decentralisation can result in more efficient and effective services for communities. However, done poorly, or where the context is inappropriate, decentralisation may have negative effects.

This evaluation builds on ODE's 2009 evaluation of Australian aid for service delivery. It answers important questions about whether Australian aid has appropriately considered the role of subnational authorities, including specific issues identified in 2009. It assesses how well Australian aid has addressed the challenges of decentralisation, with a focus on the major sectors of education, health and infrastructure.

This evaluation utilized a clear methodology, applied it consistently, and draws together a range of evidence to provide a balanced account of Australian aid performance. It concludes that Australian aid is beginning to respond to the challenges of supporting service delivery in decentralised contexts, but notes that results are mixed and there is room for further improvement.

The evaluation suggests Australia needs to improve its country-level analysis, program planning and design to better address decentralisation. In particular, there is a need to carefully assess short-term service delivery needs against long-term structures and incentives for governments to achieve sustainable service delivery and meet sovereign responsibilities. Australia needs to get the right balance of engagement with different levels of government, and appropriately address both supply and demand aspects of service delivery, especially to improve equity.

I am pleased to see the improvements in Australian aid approaches to decentralisation since 2009, and look forward to seeing further progress in response to the findings and recommendations of this evaluation.

Jim Adams

Chair, Independent Evaluation Committee

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The evaluation was undertaken from December 2012 to April 2014. The field work, research and analysis were largely completed before the announcement of the integration of AusAID with the Department of Foreign Affairs and Trade (DFAT). Any references to AusAID in the report relate to the former agency; however, to the extent possible, the report has been modified to reflect the new, integrated DFAT.

The evaluation team would like to thank the governments of Indonesia, PNG and Philippines local project management staff, project participants, project implementing partners, and DFAT staff in Canberra, Indonesia, Papua New Guinea and Philippines for their collaboration and cooperation throughout the evaluation process. Local consultants from Kemitraan Partnership in Indonesia and Institute of Governance, De La Salle University in Philippines are thanked for their contributions. The team would also like to thank DFAT governance advisers, performance and quality staff and other DFAT staff, who generously provided information and input on early drafts. Finally, Anthony Land, the independent technical appraiser, is thanked for his many valuable insights.

# Executive summary

The Australian aid program supports partner governments to provide basic services for human development. In 2014-2015, close to half the aid budget will be spent on education (23 per cent), health (16 per cent) and infrastructure (ten per cent). Australia needs to protect these aid investments so that improvements in service systems are sustained into the future, and are replicated within and across partner countries.

In many of Australia's partner countries, responsibilities for basic services have been transferred from the central government to lower levels of government; a process known as decentralisation. Working strategically within decentralised contexts is critical to providing successful Australian aid. Decentralisation processes in most countries are complex and contested. They are affected by power dynamics between levels of government, and capacity and/or resource limitations at all levels. To support the development of sustainable service systems, Australia must navigate the competing interests that exist within and between different parts of government, the private sector and civil society. Australia also needs to ensure coherence between its own governance programs that support decentralisation and sector programs that support service systems.

This evaluation (conducted between December 2012 and April 2014) examined Australia's support for service systems in decentralised contexts. It focused on three sectors: health, education and infrastructure (water and sanitation services and roads). Six countries – Indonesia, Papua New Guinea (PNG), the Philippines, Solomon Islands, Vietnam and Bangladesh – were selected, with the first three examined in more depth through fieldwork. The evaluation also drew on international literature, donor evaluations, staff consultation and organisational documents. This executive summary will focus on the overall assessment and findings related to the main evaluation question, summarised in Table 1. This is followed by more specific findings and recommendations related to each of the sub-questions for this evaluation.

## How effective is Australian support for service delivery in decentralised contexts and how can it be improved?

The Australian aid program has recognised, and begun to address, the challenges of working with partner governments to improve services in decentralised systems. In particular, efforts are being made to engage with a larger range of stakeholders and to work in low-capacity subnational settings. Australian aid has also started to focus on broader governance arrangements which are critical in service systems.

The evaluation identified many examples where positive results have been achieved, such as a significant reduction of maternal deaths in target districts in Indonesia, increased rates of school building construction in PNG (including in remote areas) and stronger school-based management in the Philippines. The evaluation also identified how Australian investments could be more effective.

**Table 1 Assessment of Australian support against six evaluation criteria**

Criteria	Assessment	Finding
Analysis and learning	Improving but currently insufficient	Analysis and learning of decentralisation issues needs to be more systematic and detailed. Appropriate contextual analysis at subnational level is often missing
Alignment and relevance	Mostly appropriate	Australian assistance is aligned and relevant to national-level priorities but alignment and relevance to subnational priorities is variable.
Balance of engagement	Varied, mostly not appropriate	Staff recognised the need to engage concurrently at both national and subnational levels, but in practice this is often not achieved. A better balance of engagement across sectoral ministries, central ministries, elected leaders, local administrations, communities and civil society is needed.
Sustainability	Varied success	Limited ownership at local levels of government mean it is likely that some gains made through aid support will be lost over time. Good practice examples of facilitating local ownership and effective capacity building could be built upon and replicated.
Equity	Sufficient regarding poverty. Insufficient regarding gender.	Well targeted in terms of poverty. Insufficient attention is given to service needs of different groups including women and marginalised people
Coherence	Improving but currently insufficient	Lack of coherence within country programs and at the subnational level. A stronger focus on governance aspects of sector support could improve coherence. Strategic coordination is needed across the aid program.

## Findings and recommendations to improve program effectiveness

### What key implementation lessons and good practice would improve sectoral programming in decentralised contexts?

Programs need to choose strategic entry points for Australian aid across service systems. They also need to consider the resource implications of working across subnational locations and the potential to apply learning to other places.

Strategies to improve engagement at the **national** level include:

- › using examples of approaches that have been shown to work at local levels to influence national governments in the design of larger-scale systems

- › assisting different parts of partner governments to align
- › identifying governance as a cross cutting issue in country-level strategies

Strategies to improve engagement at the **subnational** level include:

- › consulting with subnational authorities during design
- › using incentives to improve performance
- › capitalising on local leadership, at the same time as recognising the risk of changes in leadership
- › locating aid program staff at middle levels of government
- › building capacity for financial management at the subnational level where there is high fiduciary risk.

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### **Recommendation 1**

DFAT should continue to trial new programming strategies in decentralised contexts, using the practice notes developed in this evaluation, together with mandatory program management requirements (value for money, risk, monitoring).

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#### **Are decentralisation processes and the role of subnational government appropriately taken into account in sectoral designs and evaluations?**

The evaluation found that design and evaluation documents from the six countries have variable coverage of key issues concerning decentralisation and subnational roles in service delivery, with evaluations showing greater coverage. Designs give limited justification for choices about:

- › engaging different parts of government
- › selected subnational locations
- › aid delivery modalities.

Designs also have limited focus on the demand side of service delivery. Gender and equity concerns are usually touched upon, but there are inadequate capacity assessments and related activities designed for subnational authorities to address this area.

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### **Recommendation 2**

The design, monitoring and evaluation of sectoral programs in decentralised contexts needs to consistently address decentralisation, for example through the following

- i a checklist of key issues for service systems in decentralised contexts
- ii personnel with governance and local expertise to review key program documents and provide input to design and evaluation teams
- iii management at post to ensure sufficient information on subnational perspectives is made available (through fieldwork or other sources) to program staff and evaluation teams of sectoral programs
- iv key program documents that outline, where appropriate, the relevant issues, components and levels of partner governments.

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#### **Are decentralisation processes and the role of subnational government in service delivery appropriately taken into account in Australian aid policy and strategy?**

The evaluation found that strategy and policy guidance documents provide uneven analysis of decentralisation issues. Thematic strategy documents do not provide an adequate coverage of relevant issues and country strategies are variable in their coverage. Sector delivery strategies (now

sector investment plans) provide an appropriate level of relevant analysis. In relation to decentralisation these are critical documents where the analysis of various options, risks and choices related to decentralisation can be presented.

Policy guidance documents that support the preparation of country and delivery strategies refer to 'partner governments' in an oversimplified way that does not reflect the wider range of sector agencies and subnational levels that comprise government systems. Focus at the national level tends to be concentrated on public financial management and risk management to the exclusion of broader public sector capabilities. The guidance does not prompt an examination of the different parts and capacities of a partner government in a decentralised context. Such prompts are necessary given the complexity of the issues and the number of choices that need to be made for effective programming.

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### **Recommendation 3**

As DFAT updates key strategy and guidance documents, decentralisation and subnational roles should be considered and staff referred to relevant resources, including the practice notes developed in this evaluation. In particular, DFAT should expand the 'working in partner systems' guidance and assessment tools beyond public financial management and risk management concerns, to include broader public sector capabilities such as human resources, monitoring and evaluation and sector-specific technical expertise.

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#### **Does the organisation support sector staff sufficiently to take decentralisation into account in sectoral programming?**

A reasonable level of support is provided to staff by policy, strategies and through other learning opportunities. Program staff valued on-the-job learning from advisers and colleagues (especially local staff with an understanding of local norms, culture and politics) as important sources of knowledge. Program staff also valued formal training in governance and working in partner systems.

#### **What is the level of interaction between service delivery and governance sectors, and how could such interaction be optimised to best support service delivery outcomes in decentralised contexts?**

Where it exists, interaction between governance and other sectors offers valuable cross-fertilisation of ideas and sharing of resources. The integration of governance issues in service delivery programming is supported by governance advisers, governance programs and processes such as peer reviews, monitoring and annual reviews. It is likely that promoting cross-sector learning and improved knowledge management concerning decentralisation will be more effective if seen as the responsibility of senior level country program management rather than governance programs.

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### **Recommendation 4**

DFAT should foster specific governance capability in areas related to decentralisation and subnational levels, in particular:

- i incentives and mechanisms to support governance and service delivery sector areas to work more strongly with one another
  - ii skills and knowledge of/resources available to governance staff to communicate with and support sector staff
  - iii sector staff knowledge of governance and decentralisation
  - V formal training opportunities and resources for on-the-job learning, that build governance and decentralisation knowledge of sector staff.
-

# Management Response

DFAT welcomes the findings of this evaluation on working in decentralised service systems. As the evaluation notes, in many of Australia’s partner countries, responsibilities for the delivery of basic services have been decentralised. The evaluation therefore emphasises the importance of addressing decentralisation and subnational levels of government in Australia’s development programming. The report also notes that decentralisation processes are often complex and contested, and there is no conclusive evidence about whether decentralisation has improved the various dimensions of service delivery. It is therefore critical for Australia’s aid program to work strategically and flexibly within these different decentralised contexts.

DFAT agrees, or agrees in principle, with all four recommendations of the evaluation. However, since the release of this evaluation, DFAT’s new aid policy framework has given greater emphasis to an integrated approach to political, economic and social analysis within specific country contexts, and established a new requirement that such analysis underpin *all* our programming decisions. To that end, DFAT proposes to address decentralisation issues as *part of* the existing analytical and programming processes outlined in the new Aid Programming Guide, related aid thematic strategies and guidance notes.

The evaluation’s recommendations and DFAT’s management response to them are listed in Table 2.

**Table 2 DFAT’s management response to recommendations to improve program effectiveness in decentralised contexts**

Recommendation	Response	Details
<b>Recommendation 1:</b> DFAT should continue to trial new programming strategies in decentralised contexts, using the practice notes developed in this evaluation, together with mandatory program management requirements (value for money, risk, monitoring).	Agree in principle	<p>DFAT will continue to trial new programming strategies in decentralised contexts. Specific programming decisions will be informed by analysis of context and operate in accordance with relevant mandatory program requirements set out in the Aid Programming Guide.</p> <p>However, rather than introducing additional practice notes, DFAT will consider incorporating the key analytical questions outlined in the evaluation’s draft practice notes into its existing guidance materials, such as the <i>Analysis for AIPs: tools and techniques, Good Practice Note</i>.</p>

Recommendation	Response	Details
<p><b>Recommendation 2:</b> Program managers should consistently address decentralisation in designing, monitoring and evaluating aid in decentralised contexts. Checklists, expert advice (e.g. on draft strategies, designs and evaluations), and improved access to country-specific information and analysis, may help to improve how aid managers think about and respond to decentralisation.</p>	<p>Agree</p>	<p>DFAT program managers will address decentralisation issues throughout the aid management cycle (as part of broader programming decisions, informed by country-specific analysis).</p> <p>In terms of access to advice, DFAT has two Aid Advisory Services Standing Offers that can provide advice on decentralisation (9.3 Governance Reforms and Decentralisation and 13.1 Public Financial Management and Decentralisation). DFAT’s Development Policy Division (DPD) will continue to work with country teams to promote and share country-specific information and analysis, whether generated by DFAT or externally sourced.</p>
<p><b>Recommendation 3:</b> DFAT should carefully consider how decentralisation and subnational roles are addressed when updating key strategy and guidance documents, and referring staff to relevant resources (including the practice notes developed in this evaluation). In particular, DFAT should expand the ‘working in partner systems’ guidance and assessment tools beyond public financial management and risk management concerns, to include broader public sector capabilities such as human resources, monitoring and evaluation and sector-specific technical expertise</p>	<p>Agree in principle</p>	<p>DFAT will consider how decentralisation and subnational roles are addressed when updating key strategy and guidance documents. As resourcing permits the Governance, Growth and Fragility Branch, and the Public Financial Management Advisory Services Section and the Aid Management and Performance Branch will consider expanding the ‘working in partner systems’ guidance and assessment tools to include broader public sector capabilities, with monitoring and evaluation a priority area.</p> <p>DFAT (Principle Governance Specialist) is engaging with the ‘Indicators of the Strength of Public Management Systems (ISPMS) initiative’, a multi-stakeholder effort coordinated by the World Bank to develop international consensus around a comprehensive set of cross-national performance indicators for governance and public management systems. The ISPMS may help inform DFAT guidance around decentralisation and subnational roles. The Governance Performance Assessment Framework also provides guidance on a range of indicators and evaluative questions on how to monitor and measure a governance approach across all sectors. DFAT (DPD) will update the Governance Performance Assessment Framework in 2015 and will consider how to better address issues relating to decentralised service delivery as</p>

Recommendation	Response	Details
		part of that process.
<p><b>Recommendation 4:</b> DFAT should foster specific governance capability in areas related to decentralisation and subnational levels of government, including through:</p> <ul style="list-style-type: none"> <li>i. incentives and mechanisms to enable collaboration between governance and service delivery sector managers</li> <li>ii. skills, knowledge and resources for governance staff to support sector staff</li> <li>iii. opportunities for sector staff to improve their knowledge of governance and decentralisation, including formal training opportunities and resources for on-the-job learning.</li> </ul>	Agree	<p>DFAT will endeavour to build and retain in-house expertise on governance, including in relation to decentralisation, and to support service delivery program managers in Canberra and at Posts.</p> <p>Promoting collaboration between governance and service delivery teams remains an important aspect of the work of the Development Policy Division. For example, a recent (October 2014) staff workshop was specifically designed to promote collaboration between DFAT governance and service delivery teams in the Asian geographic areas, with approximately half the participants drawn from governance and half from sector service delivery programs.</p> <p>The Governance, Growth and Fragility Branch will also continue to deliver core governance-related training to support DFAT staff. For example, political economy analysis training (referenced positively in the evaluation: pp75–76) is ongoing. This training includes a focus on understanding how systems of governance, including those relating to decentralisation and subnational levels of government, function within particular country contexts. In 2014, this training was delivered to DFAT staff in Canberra and at country posts, tailored specifically to address both country (e.g. Timor-Leste, Solomon Islands) and sector/service delivery (e.g. education, health) challenges and priorities. The Branch is also developing a new introductory ‘governance and fragility’ training package for DFAT staff, which will commence in 2015.</p>

# 1 Introduction

## 1.1 Basic services and decentralisation

Basic services are essential for meeting globally agreed social and economic development goals.<sup>1</sup> A key priority of the Australian aid program is to support partner countries to provide such services. Decentralisation offers the potential to improve services. Decentralisation involves a 'transfer of authority to plan, make decisions or manage public functions from the national level to any organisation or agency at the subnational level.' For a more detailed definition and explanation, see Appendix 1.

It is proposed that local governments are more likely to understand service needs and be held accountable for services.<sup>2</sup> In line with this thinking, over the last two decades many donors have supported decentralisation as a means to improve governance and social development.<sup>3</sup>

*Decentralisation is usually motivated by the need to share political and economic power, not to improve service delivery.*

Swiss Development Cooperation agency, *Decentralisation processes in developing and transition countries: evidence-based lessons learnt*, Switzerland, 2011

However, it is critical to understand that the main motivation for decentralisation reform is related to political power sharing rather than the effective administration of services.<sup>4</sup> Predicted improvements in service delivery efficiency, effectiveness and equity have not necessarily been achieved as a result of decentralisation. In some cases, decentralisation has exacerbated inequalities between the rich and the poor because of differing abilities to access local resources or administer services in different subnational locations.<sup>5</sup> There is no conclusive evidence about whether decentralisation has improved, or worsened, service delivery.<sup>1</sup>

### Basic services

There is not always agreement on which services are defined as 'basic services',<sup>2</sup> however, education and health are generally included, as well as certain forms of infrastructure.

**Health services:** Health services are of three types:

- > clinical services (doctors and nurses)
- > population-oriented outreach services (e.g. immunisation, disease control and vitamin A supplementation)

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<sup>1</sup> For example, see Robinson, Introduction: Decentralising Service Delivery? Evidence and Policy Implications, IDS Bulletin vol. 38, no. 1, Institute of Development Studies, Sussex, UK. 2007. This article examines evidence in the health, education and water and sanitation sectors. It demonstrates only a few cases where outcomes in terms of equity and efficiency were improved, and only in locally supportive conditions were sustained improvements to service delivery observed.

<sup>2</sup> For example, there is debate about whether justice, law and various other such social and welfare services constitute 'basic services.'

- › information and social support (e.g. for breastfeeding or safe sex).<sup>6</sup>

Service providers include public and private hospitals and health centres. The wider health system encompasses health policy, human resources, infrastructure, procurement systems for medicines, medical equipment and supplies, and information and financing systems.

**Education services:** Education service delivery is usually focused on universal access to primary education. Service delivery requires school infrastructure (e.g. buildings, teaching materials) and its management and maintenance, teachers and their training and development, and wider systems of curriculum, testing, quality assurance and performance monitoring.

**Infrastructure services:** Infrastructure services include a range of systems that provide communities with basic amenities. For example, safe water supply and sanitation for households and communities involve infrastructure in the form of pipes, facilities and treatment systems. Roads constitute another basic service that provides communities with access to markets and to other basic services. All infrastructure provision requires ongoing management and maintenance.

For each type of service, a complex system of service delivery and accountability is necessary. This system includes:<sup>7</sup>

- › policy makers (elected and non-elected): who decide the level and quality of services offered
- › service providers: in the form of organisations (public, private and civil society) and frontline individual providers (e.g. teachers, nurses, engineers)
- › citizens: who are users of services and constituents of policy makers.



Classroom in Milne Bay Province, Papua New Guinea. *Photo: Institute for Sustainable Futures, University of Technology Sydney (ISF, UTS)*

## 1.2 Supporting service systems in decentralised contexts

Decentralisation arrangements are embedded in the legislation of most of Australia's partner countries. Aid program managers therefore need to consider the opportunities and challenges when assisting decentralised partner governments with sector programs through policy and regulatory reform, system strengthening (advisory support and capacity building) and gap filling (direct service delivery).

A number of key challenges to delivering services in such contexts are noted below.

- › There may be distributed responsibilities across different parts of national and subnational government and authorities. For example, while responsibility for service delivery may lie with subnational agencies, central agencies often retain authority for hiring, firing and promoting staff,<sup>8</sup> and line agencies often retain responsibility for sector policies. Priorities at national and subnational levels may also differ.<sup>9</sup> Program managers must therefore make choices and trade-offs in deciding on an appropriate degree of alignment and engagement at different levels.
- › Roles and responsibilities across tiers of government are often unclear or not well understood. These problems may be overlaid with political factors, complex financial flows and poor financial management, particularly at the subnational level. At times, subnational governments are given unfunded mandates and funding may flow directly to local members of parliament. These arrangements can further complicate the operation of a decentralised system of service delivery.
- › Decentralisation usually happens unevenly, in the context of stronger and weaker jurisdictions. This presents difficult choices to donors when deciding how to target assistance, as higher levels of poverty are more likely to be in poorly performing areas that present higher levels of risk (for both corruption and results) to donors.
- › Decentralisation may lead to greater local accountability for services. Often, however, this does not happen, and so there is a need to address the 'demand side'—the voice and role of citizens in service systems. Donors must therefore consider not only government roles, but also how such accountability relations with citizens can be improved, and what balance of attention should be given to this area.
- › Limited capacity (government, civil society, private sector) at the subnational level has major implications for the sustainability of improved services achieved through development assistance. For example, support for a local private sector may require training and accreditation for companies, as well as increased capacity of subnational authorities for contracting and oversight. Donors may need to provide assistance over long timeframes, and select aid modalities that provide flexible support to meet needs as they change over time.
- › Different types of reform within a country may lead to contradictions. Decentralisation reform is often resisted by those who stand to lose power and authority at the national level. Some types of sector reform may recentralise certain functions, and can work against decentralisation.<sup>10</sup> Sector-wide approaches and sector budget support have been criticised in this respect.<sup>11</sup> Donors must be alert to these tensions, and consider how best to contribute in a given sector. .

The above challenges are not sector specific. Donors should consider the need for a strategic framework to provide support within and across sectors within a given decentralised country context, as has been recommended elsewhere.<sup>12</sup> The specific considerations for different sectors are described in the chapters on health, education and infrastructure (Chapters 2, 3 and 4).

## 1.3 Policy context

The international and Australian policy contexts are summarised below, with more detail presented in Appendix 1.

### International trends in development policy

The broader context of international aid policy is an important backdrop to this evaluation. The Paris Declaration (2005), Accra Agenda for Action (2008), and Busan Partnership for Effective Development Cooperation (2011) all recognise the need for donors to strengthen developing countries' ownership and design of their own development. Alignment to, and greater use of, country systems for aid delivery are core aspects of this agenda. The critical role of subnational authorities has been identified more recently:

*The importance of subnational governments as actors in the development process and as active partners in development assistance has increased [and] the original notion of ownership has broadened beyond traditional national actors to include other stakeholders in recipient countries, including subnational governments and citizens.<sup>13</sup>*

The international focus on 'results' is also critical. An important consideration for this evaluation was whether the drive for immediate, tangible service delivery outcomes may compromise other elements of aid effectiveness such as longer-term efforts towards capacity building, institutional reform and political engagement.

### Relevant trends in Australian policy context

Traditionally, Australia's aid program has mostly engaged with partner governments at the national level. Over the last decade, greater priority has been given to engaging at a local level and directing resources closer to where services are delivered. This evolution in the aid program's approach reflects commitments to aid effectiveness.<sup>14</sup> It is particularly important in countries where the lower levels of government are responsible for basic services, however, engaging these levels of government can be challenging.

The Australian national policy context has been shaped by a series of major audits and reforms. The relevant issues from recent reforms are:

***Increased use and support of partner systems:*** The Australian aid white paper in 2006 recognised that aid programs that are driven by partner countries were likely to be more sustainable.<sup>15</sup> Reviews by the OECD Development Assistance Committee and Australian National Audit office advocated policy development to guide the use of such systems,<sup>16</sup> as well as use of partner government systems for design, management, expenditure, monitoring and reporting.<sup>17</sup>

***Increased investment in services:*** There has been increased support for service delivery in health, education and infrastructure.<sup>18</sup> For example, in 2014–15, the main areas of support are in education, health and infrastructure: 23 per cent of Australian aid funding on education (\$1105.8 million), 16 per cent on health (\$784.7 million) and 10 per cent on infrastructure (\$530.3 million).<sup>19</sup> Australia's investment is accompanied by recognition of the importance of governance to help secure sustainable improvements in service systems.

***Increased aid program coherence:*** The need to improve coherence and exploit synergies in areas such as civil society, governance, and gender, was noted by the independent review of aid effectiveness. Since then, the aid architecture has been reviewed to clarify policy and strategy

definitions and structures to improve coherence, and there have been moves to integrate governance initiatives into sectoral program areas.<sup>20</sup>

***Increased staff knowledge of partner countries, and staff specialisation:*** The 2006 white paper stressed the need to strengthen the analysis of development issues through deeper knowledge of partner countries. The above three issues all have important human resource dimensions, including the roles of sector specialists and aid management/policy professionals. To date, competencies for specialisation in health and education are strongly sector specific and there is potential for increased focus on governance experience, knowledge and skills within requirements for specialist positions.

## 1.4 About the evaluation

This evaluation, which took place between December 2012 and April 2014, builds on a previous Office of Development Effectiveness (ODE) evaluation of Australian support for service delivery, published in 2009.<sup>21</sup> The previous evaluation highlighted the challenges present in decentralised contexts, including the need for greater recognition and focus on subnational government, and issues concerning local capacity to sustain services. The difficulties associated with division of responsibilities and priorities between central and subnational governments and the need for greater flexibility in working in such contexts, were also noted.<sup>22</sup> This evaluation explores these and other issues further, and examines how Australian support is changing to meet the complex challenges associated with decentralised contexts.

The aims of this evaluation are to:

- › assess the extent to which health, education and infrastructure programs have appropriately taken into account the role played by subnational authorities
- › provide a stronger evidence base for the design and management of such programs in contexts where subnational authorities have significant roles in service delivery.

In many partner countries receiving Australian aid, subnational authorities, rather than national governments, play a key role in service systems, alongside private and civil society actors. This evaluation aims to inform effective investment within these contexts.

### Rationale for the evaluation

The Australian Government invests significant aid resources in supporting partner governments to improve service systems, particularly in health, education and basic infrastructure. Priority has been given to sector programs that address basic service systems.<sup>3</sup> In 2013-14, spending for the strategic goal of 'saving lives' was expected to comprise 19 per cent of total assistance. This included programs focused on increasing access to education, health services (particularly for women and children), safe water and sanitation. The strategic goal of 'effective governance' was expected to comprise 16 per cent of total assistance. This included programs for improving governance to deliver better services. Spending on 'promoting opportunities for all', including education services, was expected to account for 22 per cent of total Australian assistance.<sup>23</sup>

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<sup>3</sup> The *Comprehensive aid policy framework* states that by 2015-16, 25 per cent of the aid budget will be spent on education assistance and governance initiatives will be integrated into sectoral programs such as health and education.<sup>3</sup>

## Evaluation approach and design

This evaluation focuses on support to improve health, education and infrastructure services.<sup>4</sup> Governance programs are not a major focus; they are considered in terms of the way they operate alongside and in relation to other sectors. The evaluation approach incorporates a range of perspectives and involved aid program staff in key decisions concerning fieldwork and in review roles.

The evaluation takes a 'systems approach' that seeks to capture the different parts of partner governments and other actors involved in service delivery chains in decentralised contexts (see Figure 1). It examines both the supply and demand side of service delivery.

**The supply side** of service delivery in decentralised contexts includes:

- › political decentralisation (of power and authority)
- › administrative decentralisation (of responsibilities for service delivery)
- › fiscal decentralisation (of resources)
- › divestment or market decentralisation (involving transfer of functions to the private sector or non-government organisations).

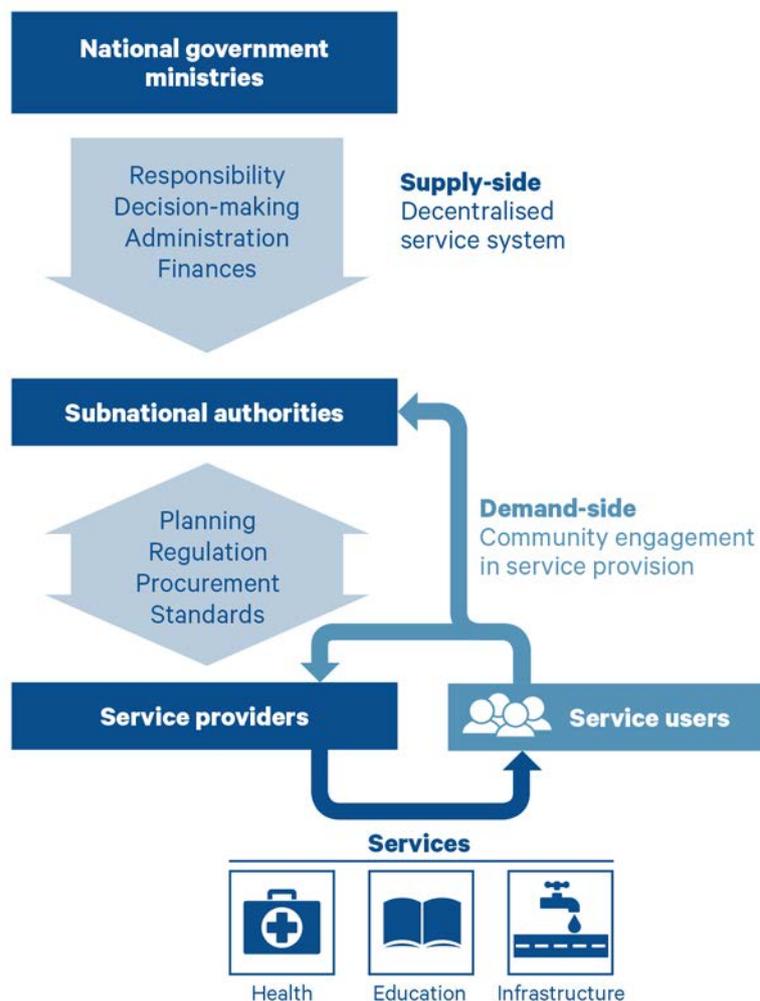
**The demand side** of service delivery includes:

- › mechanisms for citizen or community participation, voice and influence
- › citizen or community's access to information to support accountability and transparency
- › the capacity of citizens or community to be active in the mechanisms available to them to participate, including social inclusion concerns about gender equity and marginalised groups.

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<sup>4</sup> These three sectors were chosen as they represent the majority of Australian support for service delivery and represent key basic needs for the poor.

Figure 1. Supply and demand sides of service systems



## Evaluation criteria

The overarching evaluation question is:

- › **How effective is Australian support for service delivery in decentralised contexts and how can it be improved?**

A number of sub questions were developed to assist in answering this question:

- › What key **implementation** lessons and good practice (drawn from sectoral, including governance, programs) would improve sectoral programming in decentralised contexts?
- › Are decentralisation processes and the role of subnational government appropriately taken into account in sectoral **designs and evaluations** in health, education and infrastructure?
- › Are decentralisation processes and the role of subnational government in service delivery appropriately taken into account in Australian aid **policy and strategy**?
- › Are sectoral staff sufficiently supported organisationally to take decentralisation into account in sectoral programming?

- › What is the level of **interaction** between sector support and governance support, and how could such interaction be optimised to best support service delivery outcomes in decentralised contexts?

Six evaluation criteria<sup>5</sup> are used to clarify the meaning of effective of aid support. Effective aid support would involve:

- › **sufficient analysis and learning**, including the use of sound evidence and knowledge of the decentralised context to inform strategy and programming
- › **appropriate alignment and relevance** with the priorities and policies of partner governments at the national *and* subnational levels
- › **an appropriate balance** between:<sup>6</sup>
  - › national and subnational levels<sup>24</sup>, including strengthening subnational institutions<sup>25</sup>
  - › line ministries and central ministries and cross-cutting reforms (e.g. around civil service management, human resource management, public financial management and local government),<sup>26</sup> as ties between these parts of government are often weak<sup>27</sup>
  - › local government (and elected leaders) and local line agencies
  - › the demand and supply sides of service delivery (see above)
- › **appropriate consideration of sustainability**: ownership and strengthened capacity of partner government (particularly at the subnational level)
- › **equitable targeting** of the poorest and of groups such as women, children, minorities and people living with disability
- › **sufficient coherence** of organisation and programming across:
  - › the aid investment plan (and whole of program governance issues)
  - › within sector portfolios
  - › within and across subnational locations
  - › within organisational guidance materials
  - › Canberra and Post.

## Evaluation methods

The evaluation focuses on the six countries to which Australia has provided most development aid in health, education and infrastructure. These six countries all have some level of decentralisation of service delivery responsibilities to subnational authorities in these sectors. A mixed methods approach was taken, comprising in-depth inquiry in Indonesia, Papua New Guinea (PNG) and the Philippines and a desk-based document review. A short summary of methods is outlined below with detailed information presented in Appendix 2.

**In-depth inquiry:** We selected Indonesia and PNG for fieldwork because of substantial Australian investments in sector programs in these countries. Both countries have decentralised frameworks where subnational government has responsibility for health, education and some infrastructure.<sup>28</sup> The Philippines was included to provide lessons from a country program that has operated over a long

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<sup>5</sup> Note, these criteria were defined specifically in relation to this evaluation topic and should not be confused with an assessment of 'program effectiveness' in terms of results, efficiency of specific initiatives.

<sup>6</sup> This criterion does not imply that the Australian aid program should be working at all levels, across all parts of government, or across supply and demand in every initiative or sector. Rather, it means that a balance of engagement would be expected, based on sound analysis (which might include what other donors or other program areas are doing) and realistic expectations of achievable outcomes.

period in a decentralised context. Across the three countries, 440 interviews were conducted with a wide range of stakeholders from national and subnational levels. Interview transcripts were analysed against the key evaluation questions and criteria, with the assistance of qualitative software. Interview quotes have been used in this report to illustrate points in the text, and are not necessarily representative of a broader perspective unless otherwise indicated. Six sector initiatives from the fieldwork were chosen for deeper analysis and profiling.

**Document review:** A framework to consider key aspects of service delivery in decentralised contexts was applied to a selection of strategy and program documents.<sup>7</sup> The document review covered the six countries, the fieldwork countries and three others, which have received most Australian support for health, education and infrastructure. All six countries all have some level of decentralisation of service delivery responsibilities to subnational authorities in these sectors. Literature, including past donor evaluations and documentation on decentralisation and service delivery, was reviewed to ensure this evaluation built on existing knowledge.

### About this document

This evaluation is intended to be of use to aid program staff who develop and review strategies and programs in decentralised contexts, including sectoral areas. This evaluation is relevant for decision-making on new investments and mechanisms to support whole-of-aid-program coherence. It presents useful findings for technical and policy staff as well as country programs. Representatives from these areas were involved in the evaluation through an advisory and learning group. This group gave input at key points to ensure the issues of our key audience were addressed. Finally, this evaluation will also be of interest to partner governments and development partners in multilateral donor arrangements and facilities who are engaging with the same challenges.

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<sup>7</sup> Country strategies from six countries, four thematic strategies, two delivery strategies, policy guidance and a sample of 14 sector designs and 11 sector evaluations. A selection of governance program evaluations and thematic performance frameworks were also reviewed.

## 2 Lessons from the health sector

### Evaluation question

- › What key implementation lessons and good practice would improve sectoral programming in decentralised contexts?

### Key findings

- › Some Australian health support has shifted to increase subnational engagement, but it can be challenging to achieve effective and sustainable outcomes in subnational contexts.
- › Developing sound service systems at local levels requires well-resourced and well-thought-out support. Building local-level government capacity often requires working from a low base, and hence longer timeframes are required to build and consolidate capacity. Equally, sustained ownership by local authorities cannot be assumed and programs are vulnerable to changes in locally elected leadership which may then affect ownership and results.
- › There are critical aid choices about which subnational level at which to engage (provincial, district or service provider) to achieve sustained change. Working at the district level provides the opportunity to engage directly with actual service delivery. It also provides opportunities to work meaningfully with citizens and civil society organisations, to achieve positive results in service provider accountability.
- › Maintaining national-level engagement is important to complement engagement at the subnational level. Failure to do so may miss opportunities to engage in policy dialogue, influence decisions and replicate good practice and to capitalise on knowledge generated through subnational engagement.
- › Improved coherence across governance and health sector programs was demonstrated, especially in Papua New Guinea. Communication was evident (including at design phase) to ensure there were benefits for both programs and coordination at the subnational level.
- › The resource implications for subnational programming and program coherence is primarily related to staff time for communication and cross-program coordination, maintaining a local presence and local engagement.

The chapter has four sections: health services and decentralisation (Section 2.1); Australian health sector support (Section 2.2); and two profiles based on in-country fieldwork—a maternal and neonatal health program in Indonesia (Section 2.3) and support to provincial health authorities in Papua New Guinea (PNG; Section 2.4).

### 2.1 Health services and decentralisation

In the health sector in decentralised contexts, central government usually remains responsible for:

- › setting parameters for priority national programs such as family planning and immunisation
- › sector financing arrangements (e.g. taxation-based or insurance-based systems)

- › how funds are transferred to subnational level to ensure equity
- › standard setting, for example around functions such as the licensing of health professionals, registration and quality control of drugs and the design of clinical care protocols.<sup>29</sup> The subnational level is often responsible for service delivery mechanisms, setting user charges or other cost-recovery mechanisms, and planning expenditure allocations.<sup>30</sup>

The challenges mentioned in Section 1.2 concerning service delivery in decentralised contexts are generally relevant to the health sector. Some specific additional points are as follows.

- › Control of large-scale national health programs usually remain at the central level, and can work against decentralisation. For example, in Indonesia the national health ministry and national AIDS commission are the main recipients of global grants.<sup>31</sup> Since such programs can undermine local priorities and planning, they have been considered to have unsustainable outcomes.<sup>32</sup>
- › A key issue in the health sector is severe shortage of personnel, particularly in subnational locations.<sup>33</sup>
- › Health services may not be prioritised by government at the local level. This means that services are reduced where funding transfers from the central to the local level take the form of untied grants. For example, decentralisation led to the cessation of family planning services in some local government areas in the Philippines.<sup>34</sup> In India and China spending on health care under decentralisation declined due in part to a lack of prioritisation and also inadequate transfer of funds from the central level.<sup>35</sup>
- › A range of issues related to financing are important. The financing of local-level health care is challenging. Taxation-based funding tends to be insufficient, private health insurance excludes the poorest, and user fees can reduce access unless they are tightly controlled.<sup>36</sup> Health sector procurement at the local level offers opportunities for corruption and leakage of funds,<sup>37</sup> as can other areas of the health service chain. Expenditure at the local level may be directed towards high-profile, vote-winning curative health care centres and hospitals rather than more cost-effective preventive programs and services needed by local populations.<sup>38</sup>

An effective role for the private sector in health systems relies on the capacity for stewardship at both national and subnational levels. For example, in PNG there are deficiencies in the regulatory and governance environment for private health sector, as well as low capacity for provincial and district health offices to engage in partnerships that contribute to the current limited private sector role.<sup>39</sup>

## 2.2 Australian health sector support

The health thematic strategy recognises good health as a fundamental human right which can help to achieve other development goals including economic growth. Australian assistance has prioritised health systems and services and their responsiveness to poor and vulnerable citizens.<sup>40</sup> The health strategy contained some coverage and guidance with respect to decentralisation (see Section 6.1).

The Australian aid budget estimate for 2013–14 for health sector support is \$763 million. Of this, \$380.3 million was allocated to bilateral programs; \$301.4 million to global programs; \$64.9 million to regional programs and \$16.7 million to other government departments. Some of the headline results arising from existing investments during 2012–13 were 2 768 628 children vaccinated against childhood diseases and 304 934 women giving birth attended by a skilled birth attendant.

This evaluation did not comprehensively evaluate the whole health sector portfolio. We focused on service delivery-focused programs, which were generally bilateral programs. Across the top six

spending countries in the health sector, the majority of such bilateral programs were implemented by managing contractors.

This evaluation found some evidence that decentralisation and a focus on governance and local-level engagement were considered. For example, in PNG staff reported that *'we work with the governance strategy—as health requires both the supply and demand side [and] ... better governance is needed for the system to function.'* This was verified by a provincial representative:

*Health talk to us about almost everything. Other sectors are yet to come in [but we need] to get the sectors to have a think about what they would find useful and task us. The [other] sectors don't think about us as part of their team.'*

Health staff in Indonesia also reported that they were *'looking into demand side more now ... and how do you make local government more accountable'* and that they would be focusing further on this area.

The profiles in Sections 2.3 and 2.4 show changes towards greater consideration of decentralisation and local-level governance.

## 2.3 Maternal and neonatal health program, Indonesia

*We appreciate AIPMNH—it is a neat and tidy work scheme with good ethics of partnership.*  
District planning agency, staff interview.

### Background on decentralisation in the Indonesian health sector

Indonesia's rapid decentralisation resulted in shared responsibilities for health service delivery across national, provincial and district levels. Policy, planning and responsibilities between the three levels of government are not always linked or clear. Financial mechanisms are complex, an administrative burden at the local level<sup>41</sup> and have low rates of expenditure.<sup>42</sup> Service delivery varies from province to province. For example, eastern Indonesia is reported to be worse than elsewhere, with issues of shortages and low capacity in the health workforce, dysfunctional referral systems, and weak management and governance.<sup>43</sup>

### The Australia-Indonesia Partnership for Maternal and Neonatal Health

The goal of the Australia-Indonesia Partnership for Maternal and Neonatal Health (AIPMNH) is to improve maternal and neonatal health and contribute to reaching the relevant Millennium Development Goals (MDGs).<sup>44</sup> A long-term outlook was taken, with the 10-year objective defined as *'selected provincial and district governments can effectively manage national, local and donor resources to progressively achieve MDG targets for maternal and child health.'*<sup>45</sup> The initiative involved an investment of \$68.6 million up to the end of 2013.<sup>46</sup> It aims to support a *'progressive move to increasing use of Indonesian Government systems'*<sup>47</sup> and works in partnership with a range of government agencies in 14 districts in Nusa Tenggara Timur province in east Indonesia. Since 2008, the program has achieved significant outcomes. Maternal deaths in target districts dropped from 186 in 2009 to 125 in 2012, and the percentage of births that took place in a facility increased from 42 per cent in 2009 to 72 per cent in 2012. Local governments have allocated proportionally more funding to health, with 11 of the 14 target districts increasing their budget allocations to 11 to 20 per cent of the total district budget, exceeding of the national target of 10 per cent.<sup>48</sup>

Implementation is led by a managing contractor, with some staff placed in local government health offices. The initiative works across villages, health centres and hospitals.<sup>49</sup> Within the wider context of the aid program's health portfolio, the more recent Australia–Indonesia Partnership for Health System Strengthening has been able to take advantage of key relationships and activities supported through AIPMNH.<sup>50</sup>

The evidence base underpinning the design of the initiative was strong, particularly for the subnational level. This demonstrates one of the potential benefits choosing a single subnational location. The initiative provides detailed analysis of the subnational context of the chosen province, including discussion of the links between current decentralisation reforms and health sector reforms.<sup>51</sup> In addition, a solid assessment was made of the demand side of health services, including *'community reluctance to use services and lack of accountability to service users.'*<sup>52</sup> The design documents do not contain much reference to international literature, however the independent progress review draws on such literature and provides a positive assessment of the approaches laid out in the design.<sup>53</sup>

### Alignment and relevance to national and subnational levels

AIPMNH has strong alignment with both national and subnational agendas and to national priorities, particularly MDGs 4 and 5, as well as the Indonesian Government's medium-term development plan and the National Making Pregnancy Safer Strategy (2001–10).<sup>54</sup> Nusa Tenggara Timur province is behind on achieving the minimum health standards compared to the rest of Indonesia and has lower government revenues, higher rates of poverty, and poorer health indicators. This means that Australian support is highly relevant to the chosen subnational context. A particular strength is AIPMNH's use of existing district government recruitment, budgeting and planning processes.<sup>55</sup>

### Engagement across different parts of government and with community

AIPMNH has not always achieved a good balance in its engagement with different parts of government. Participants reported a lack of engagement at the national level. This engagement was intended in the design, but was not implemented due to inadequate resourcing. The missed opportunity for policy-level dialogue at national level is noted in two reviews (2010 and 2012). The 2010 review notes *'inconsistent involvement of the most senior Government of Indonesia officials'* and need for *'a more robust policy dialogue'*<sup>56</sup> and that *'currently, there is little or no policy dialogue by AusAID, making it extremely difficult for there to be any systematic improvement to government systems.'*<sup>57</sup> The 2012 review repeats this message.<sup>58</sup>

The balance of engagement across different local agencies has been put forward as a strength of the program, and was reportedly also facilitated by the local planning agency.<sup>59</sup> Engagement with both political leaders and local authorities was also reported to be constructive. For example, a local stakeholder mentioned how issues were resolved with support *'from local government and from the legislators.'* However, existing gaps in communication between authorities and the leadership have been difficult to overcome. This is reflected in one district leader commenting that *'[the Australian aid program] doesn't give me enough information about their health program.'*

AIPMNH had good engagement with the local community in terms of demand-side engagement with service users, more than is visible in other profiles. Local health staff reported becoming more accountable to communities and

*Before [this program] we just worked and did not seek to excel, now we feel we have improved and complaints are like an indicator that we have to work better.*  
Local health service, east Indonesia, staff interview.

mentioned the use of a community survey: *'There is a satisfaction index survey conducted by the public that is helpful.'* AIPMNH also established a board made up of community members to act as an intermediary between the community and health centres. In one health centre, AIPMNH actively supported local accountability: *'The demand side is to increase citizen participation. Before, services were driven by central government so people didn't need to think about how to engage, [whereas current reform] seeks to bring the community in to improve quality.'*



Midwife at Tuabatan village, Timor Tengah Utara, Nusa Tenggara Timur, Indonesia. *Photo: DFAT*

### Sustainability through ownership and capacity building

Sustainability is described in the design document as 'built in' through a partnership approach, however, there are mixed results. On the positive side, there is evidence of local commitment (e.g. new regulations about births at health centres), local parliaments agreeing to provide financial resources (e.g. an incentive payment to medical personnel and budgets for transport) and strong trust and engagement between local government and the program.<sup>60</sup>

At the same time, concerns have also been raised in reviews about lack of an exit strategy<sup>61</sup> and that *'current gains might not be sustained.'*<sup>62</sup> Sustainability of capacity-building outcomes is seen as important but does not appear to have been well monitored.<sup>63</sup> The low capacity at the subnational level is a challenge to sustainability and

*To achieve the goals requires a long term—at least five more years required.*

District health, east Indonesia, staff interview

requires long timeframes: *'The strategy is over-reliant on government processes and systems that are poorly developed and in need of strengthening over the longer term.'*<sup>64</sup> The challenges of high staff turnover exacerbate the problem: *'The largest threat to sustainability is staff turnover of health workers at [the health centre] and hospital level.'*<sup>65</sup> A local government representative interviewee also noted that *'we are worried about what will happen if AIPMNH ends in June.'* One final concern on

sustainability relates to a lack of engagement at the provincial level. A program staff member noted that *'[we] need to be realistic about what the province is actually going to do. We have become a de facto health office in NTT [Nusa Tenggara Timur province] which wasn't our intention but districts want our help.'* A recent report also reflects on this: *'The program design did not budget for capacity building of the provincial health office in any meaningful or strategic way, so any gains on this front have been haphazard at best, which impacts on sustainability.'*<sup>66</sup>

## Equity and gender

The subnational location was chosen on the basis of equity concerns: *'Using assessment criteria including distribution of wealth quintiles, total fertility rate, human development index, infant mortality rate, contraceptive prevalence and prevalence for stunting, NTT continues to rank among the 10 worst provinces.'*<sup>67</sup> Staff reported that AIPMNH also meets the needs of marginalised groups such as unmarried women and the very poor, and some health centres have ramps for people with a disability.

AIPMNH has resulted in significant outcomes concerning women's maternal mortality: *'When you look at the AIPMNH program overall in 14 districts, the decrease has been 38 per cent.'*<sup>68</sup> However, while the program is focused on women's health—particularly pregnant women—consideration of broader gender concerns has been limited, and gender outcomes have not been monitored.<sup>69</sup> A recent review noted that current approaches (which align with current male-dominated culture) potentially take away women's agency and that *'there are pressing gender issues that affect maternal health, notably a woman's right to act in her own best interest and to be able to decide independently to seek care.'*<sup>70</sup>

Our fieldwork also revealed a lack of attention to women's reproductive rights, in line with a recent report: *'Most women living in rural NTT villages are severely constrained in making and implementing informed decisions regarding their reproductive health.'*<sup>71</sup> A commitment to include this, and other gender issues such as maternal and neonatal health and nutrition, in future phases of the initiative has been made.<sup>72</sup>

## Complementing other initiatives

Coordination was envisaged between east Indonesian programs, however, this has not succeeded in practice. The evaluation found informal relationships between AIPMNH and other programs rather than strategic and intentional arrangements. A review noted that *'it would be beneficial for an ongoing process that promotes identification of the strategic inter-sectoral opportunities between the programs in a more structured way.'*<sup>73</sup> Aid program health staff in Jakarta noted a lack of coordination and sharing of lessons: *'[We] haven't reflected on common threads present in our programs, reports, personnel, because we are operating in silos'* and *'More joining the better. [We are] currently doing this randomly.'*

During this evaluation, complications in the relationship between AIPMNH and the Australia–Indonesia Partnership for Decentralisation (AIPD) were noted. A progress review of AIPMNH recommended that AIPD undertake governance activities, which AIPMNH had started. The review argued that the public financial management issues AIPMNH was attempting to address *'cannot be [solved] without widespread public financial management reform'* and should not be the focus of a sector program such as AIPMNH. However, program staff reported that AIPD did not have a mandate to work on various areas that were arising as concerns (e.g. procurement) for AIPMNH.

## 2.4 Support to provincial health authorities in PNG

*We have a better chance of ownership if we get to decide what we do.*

Provincial Health Authority, PNG, interview.

### Background on decentralisation in the PNG health sector

Health services in PNG are delivered by government and church institutions<sup>74</sup> with responsibilities shared across national, provincial and local levels.<sup>8</sup> Significant responsibility for health delivery lies at the provincial level. Provinces manage the primary health care system including hospitals and some 3300 rural health centres.<sup>75</sup> The national Department of Health funds national and provincial hospitals, is responsible for drug procurement and distribution, sets and maintains minimum medical standards<sup>76</sup> and looks after tertiary training and salary systems. The responsibility for providing new rural health infrastructure is unclear, though increasingly this is seen as the domain of members of parliament using their constituency funds. PNG's local-level governments have minimal formal responsibilities for health.

Service delivery is undermined by poor-quality intergovernmental coordination, short-term and politicised leadership, and pervasive corruption in public administration.<sup>77</sup> Several interviewees highlighted these challenges, noting:

- › the tendency for central departments to maintain control (e.g. over human resources, finances, appointment of provincial treasurers)
- › inadequate funds reaching district and provincial levels
- › political interference, particularly at the provincial level where funds are provided to members of parliament rather than to the administrative authorities; and inadequate capacity at the district level.

The current National Health Plan 2011–20 includes new provincial health authorities (PHAs)<sup>9</sup> to help overcome the lack of coordination between the national Department of Health, provinces, districts and non-state actors. PHAs will have responsibility for all health services within the province. It is not yet clear whether the initiative will move beyond the current three provinces (Milne Bay, Eastern Highlands and Western Highlands).

### Background on Australian support to provincial health authorities

Australia uses nine health and governance programs<sup>10</sup> to support the three pilot PHAs.<sup>11</sup> The goal is to support the PHAs as a vehicle to reform public health service delivery by developing capacity to

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<sup>8</sup> PNG comprises 21 provinces (and 1 autonomous region), 89 districts, and 313 local-level governments. Decentralisation in PNG is defined in the 1995 *Organic law on provincial and local level government*.

<sup>9</sup> Based on the 2007 *Provincial Health Authorities Act* which allows establishment of a separate authority.

<sup>10</sup> (i) Health Sector improvement Program—direct financing; (ii) Health and HIV Implementing Services Provider—technical assistance, grants and research support; (iii) Economic and Public Sector Program—engagement with central agencies on financing, human resources; (iv) Sub-National Program—capacity development in provincial Administration; (v) Health Procurement Program—direct procurement or distribution; (vi) Health Awards Scholarships—health worker training; (vii) Churches Partnership Program—mobilise communities in health-seeking behaviour; (viii) Strongim Pipol Strongim Nesen—grants to communities and civil society organisations for activities and involvement in local-level health planning; (ix) Incentive Fund Program—innovative projects to well-performing organisations. Sources: Milne Bay: Health & HIV Development Agreement Final Draft 2012; Eastern Highland Province, Health service Agreement, 2012; Western Highlands Province, Health & HIV Service Agreement, 2012; Western Province, Health & HIV Service Agreement, 2012.

manage, deliver and monitor a minimum package of health services.<sup>78</sup> Funding to support PHAs is estimated to be about \$220 million. One of the key programs—the Health Capacity Development Program (HCDP)—has funding of \$60 million, targeted at the subnational level.<sup>79</sup>

Australia’s partnership agreements for each PHA were based on independent capacity diagnostics, which identified entry points to strengthen service delivery.<sup>80</sup> The aid program supports:<sup>81</sup>

- › planning and budget preparation at the national and subnational levels
- › joint annual assessment of institutional, organisational and health service delivery
- › longer-term in-province advisory assistance to strengthen provincial and district capacity to plan, budget, spend, monitor and report on total health funding
- › advisers based at the national Department of Health with expertise in mentoring, change management, leadership, health financing, accounting, and human resources management
- › financing and procurement of goods and services.

Significant analysis of the subnational level and decentralised context was provided in the HCDP design. The design responds to evidence from previous reviews that pointed to a need to shift the focus of technical assistance to the subnational level with a strengthened focus on service delivery.<sup>82</sup> A more recent review of the PHAs raises questions as to whether adequate analysis was undertaken of the national-level agencies and their role. This review describes significant deficiencies in preparation and support from the national level for the three pilot PHAs.<sup>83</sup>



In Mul Baiyer District, Western Highlands Province, Papua New Guinea. *Photo: ISF, UTS*

## National and subnational alignment and relevance

Australian support is PHAs strongly aligned and relevant to national and subnational priorities, though shifting subnational priorities is challenging. At the national level, Australia’s support contributes to PNG’s National Health Plan 2011–20 and the HCDP approach aims to ‘reinforce GoPNG [PNG

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<sup>11</sup> The PHAs were first set up in PNG in late 2011; partnership agreements between Australia and priority PHAs were signed in 2012 with support starting from 2013.

Government] holistic strategies rather than develop ad hoc activities. It will minimise the use of parallel systems limiting them to agreed areas where there are genuine capacity gaps and/or high fiduciary and development risks of using GoPNG systems.’<sup>84</sup> The PHAs themselves are a national initiative. National counterparts were appreciative of the aid program’s approach: *[Australia] is a very good partner, it has flexibility to align with the GoPNG whereas other donors are more fixed. [The Australian aid program] is very supportive, incorporates local knowledge.*

*[The Australian aid program is] not seen as a donor program but seems to be integrated into government departments.*  
National Department of Health, PNG,  
staff interview

At the subnational level, PHAs are under way in the three pilot provinces and Australian support is targeted to them.<sup>85</sup> Yet, local commitment to establish effective subnational working arrangements for PHAs is variable. Lack of leadership from governors and provincial and district administrators was revealed in the recent review of PHAs.<sup>86</sup> The two new provincial governors were seen to pose a threat to the continuation with the PHA and the risk of reverting back to previous arrangements.<sup>87</sup> In addition, during fieldwork interviews, officials at both the provincial and district levels were seen to prioritise roads ahead of health. Australian support has been set up to ensure a fixed percentage of funds is spent on health and also to allow flexible use of funding for health and to allocate grants in a responsive way, and to increase allocations to provinces that are performing well. This is one way to support alignment and relevance.

### Engagement across different parts of partner government and with community

The balance of engagement between national and subnational levels has changed significantly towards a much stronger focus on the subnational level. In taking up a focus on PHAs, staff reported that the subnational level now receives about 80–85 per cent of health program funding. This is a major shift, and likely will help address PNG Government perceptions that the aid program focuses too strongly at the national level.

*I see AusAID support over the years and I value this ... having the policies is great but these policies need to be stronger at subnational levels and AusAID could come in with more technical advice.*  
National Department of Health, PNG,  
staff interview

In terms of balance between sector and central agencies, a recent review noted that there was insufficient engagement with central agencies: *‘More work is required to effectively engage with central agencies in 2012.’*<sup>88</sup> The Milne Bay agreement also notes the challenge of ensuring engagement of central agencies towards resolving PHA policy conflicts, financing and staffing and improving accountability. It proposes that the Economic and Public Sector Program address this area (see Appendix 2).

Australian support aims to find a good balance between engaging with political leaders and administrators at the subnational level. One of the health service agreements’ guiding principles is that *‘leadership will come from both politicians and senior public servants using their powers and authority to guide, direct and manage.’* An interviewee in one subnational location indicated that the aid program has now made funds available where members of parliament have demonstrated a commitment to the health sector and that PHA has attracted significant attention from members of parliament in that province.

Within the PHA service agreements (e.g. for Milne Bay) there is some mention of local engagement in the form of ‘community mobilisation’ strategies, however the agreements contain no discussion of how citizens hold service providers to account. The approach to achieve balance across the demand

and supply sides of service delivery appears to be to address the demand side through other governance programs (e.g. Strongim Pipol Strongim Nesen and Churches Partnership Program). This is discussed further below.

## Sustainability through ownership and capacity building

The documented strategy for sustainability appears sound, but remains to be tested. It gives attention to ownership (through working in partnership), alignment with PNG Government planning and reporting processes, and coordination in the form of a single-capacity development plan. It provides for reduced reliance on long-term advisers, greater emphasis on national in-line positions,<sup>12</sup> strategies for procurement functions, emphasis on peer learning and mutual accountability for results.<sup>89</sup> Decision-making about activities lies with subnational partners. For example, one provincial officer reported:

*This PHA agreement is quite significant as it has monitoring frameworks attached to it and this is the first year we have identified and chosen projects ourselves. We have a better chance of ownership if we get to decide what we do.*<sup>90</sup>

Also, HCDP *'integrate[s] their support within PNG-led programs to strengthen capacity development.'*<sup>91</sup>

These measures will be critical considering the challenging environment in which the support to PHAs takes place. As mentioned earlier, a recent review identified many issues related to a lack of leadership at all levels, a lack of political support worsened by changes in elected leaders, insufficient planning, insufficient support to provinces from the national level, and inadequate advocacy for and awareness of PHAs.<sup>92</sup> Staff may need to rethink the proposed strategies for implementation and sustainability and consider how to address these systemic issues which could undermine PHAs.

Australia's support for PHAs is justified, given their critical role. However, the challenges in addressing the problems surrounding their establishment does pose potential risks for achieving effective outcomes and points to the need for rigorous monitoring.

## Equity and gender

The three pilot PHA provinces were self-selected as pilots, on the basis of interest and commitment rather than poverty. However, these provinces include seven of the 20 'high poverty' districts in PNG.<sup>93</sup> During our fieldwork, there was frequent mention of a lack of accurate data on which to base funding decisions concerning target locations.

The HCDP has clear strategies that focus on gender equality. One promotes maternal health through provincial support for maternal care and family planning. A second increases women's role in the health workforce through recruitment and representation of women on decision-making bodies such as the PHA boards.<sup>13</sup> Finally, sex-disaggregated data is used to inform efforts to increase accessibility of health services and ensure gender responsive budgeting.<sup>94</sup> The design does not detail how these strategies would be implemented and reviewed.

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<sup>12</sup> Supported with salary supplements as incentives for high-quality personnel.

<sup>13</sup> There is a requirement within the *Provincial Health Authority Act 2007* for one of nine PHA board members to be a woman.

## Complementing other initiatives

Program documentation considers integration of Australian support, particularly between health sector and governance programs. Aid program staff envisaged this being facilitated within the subnational strategy. However, it is less clear how such activities delivered through different programs would be 'joined up.' For example, it is not clear how efforts on the supply side (concerning PHAs) and demand side reinforce one another, or how efforts with central agencies and work with sector agencies and provincial administrations are to be coordinated. Fieldwork for this evaluation indicated that the aid program needs to consider more carefully how to support coordination at subnational level. Government stakeholders at both national and subnational levels reported coordination of aid programs at provincial level to be a '*major issue*' and that there was '*no coordination at the frontline.*'

## 3 Lessons from the education sector

### Evaluation question

- › What key implementation lessons and good practice would improve sectoral programming in decentralised contexts?

### Key findings

- › Australian education support does not always consider decentralisation and subnational roles. A positive example is the emergence of a stronger focus on these aspects in the Philippines, however, programs in Papua New Guinea (PNG) and Indonesia had more limited engagement with subnational government.
- › In some cases, systems are developed and used to deliver support in parallel to existing systems (e.g. through a private contractor). Reasons for choosing to use parallel systems relate to the assessment of fiduciary risks (PNG) and to avoid the complexity of layers and actors (Indonesia).
- › The use of parallel systems does not help to build local capacity in subnational partner systems, and thus can affect sustainability. The risks of limited subnational engagement include the deterioration of aid funded school infrastructure due to lack of maintenance by local government, and continued lack of capacity to plan and budget for this area.
- › There have been missed opportunities for innovation and capacity building within existing programs.
- › Effective support at the subnational level is possible, including with ongoing national engagement to enable replication of good practice, as demonstrated in the Philippines.
- › Education and governance programs have complementary aims in both PNG and the Philippines, though the former could be more strategic.

The chapter has four sections: education service delivery and decentralisation (Section 3.1); Australian education sector support (Section 3.2); and two profiles based on in-country fieldwork—a service provision facility in PNG (Section 3.3) and an education program in Philippines (Section 3.4).

### 3.1 Education service delivery and decentralisation

In the education sector, central governments typically retain responsibility for policy, standard setting, regulation, supervision, and decisions related to the national curriculum content, instruction time, teachers' salaries and resource allocation. Subnational levels are often involved in school management and governance, as well as performance monitoring.<sup>95</sup>

The challenges mentioned in Section 1.2 concerning service delivery in decentralised contexts apply to education service delivery. There are additional challenges particular to the education sector:

- › Motivated, qualified teachers are the most critical component of quality education, and teachers' salaries form the largest part of the education budget.<sup>96</sup> This raises important questions in a

decentralised context about how resources for salaries are allocated. Human resource management therefore becomes a central consideration and in many contexts requires engagement with central agencies.

- › A large share of funds must be spent at the local and school levels, involving a very large number of locations. This underlines the importance of donors using existing financing systems rather than parallel systems which are neither practical nor sustainable.<sup>97</sup>
- › School funding, which often supports fee-free schooling, is a recurrent cost, and requires planning and budgeting at the subnational level. However, due to central government fears that local authorities may not prioritise school funding, in some contexts such funding remains centrally managed. This becomes a vicious cycle where subnational level authorities are side-lined and do not have incentives for taking over this responsibility.<sup>98</sup>
- › School infrastructure requires ongoing management and maintenance, and is usually a shared responsibility between schools and local government. However, if local government ownership is low, there are often inadequate plans and budgets for this work.<sup>99</sup>
- › A focus on school-based management as a mechanism to increase accountability between schools and the communities they serve is seen as an approach that responds to decentralisation. In some locations, it has assisted with resource allocation, hiring of additional teachers outside the civil service, better teacher attendance rates and improved learning environment and learning outcomes.<sup>100</sup>

## 3.2 Australian education sector support

Education forms a significant part of the Australian aid program. In 2014-2015, 23 per cent of aid program funding will be on education (\$1105.8 million).<sup>101</sup> The education thematic strategy recognises the international commitment to universal primary education. It focuses on improving access to basic education and learning outcomes. It also commits to driving development through better governance, recognising the role of partner governments to support quality education. This strategy only gave partial consideration to decentralisation and its implications for education service delivery. It was the weakest among the sector strategies in this regard (see Section 6.1). This evaluation found that education sector staff appreciated the need to engage with decentralisation, subnational levels and governance. For example, in the Philippines a staff member said that *'you can't move unless we change governance ... everything is a process towards readiness for decentralisation in education.'* In Indonesia, education staff also spoke of the importance of aligning with partner government priorities: *'[The] bulk of [Australian aid program] funds goes on budget [support] ... so flow of funds cannot contradict national government decentralisation goals. We are supposed to be supporting better governance. We have to understand the systems and the context, this is fundamental.'*

In the Philippines, significant progress has been made, as is clear from the profile (Section 3.4). In Indonesia, however, implementation was found to be difficult. In relation to partner government assessments and because of the number of local authorities, staff reported that it was *'easier and safer to do it at the national government level.'* The term 'safer' reflects the high fiduciary risk that may exist at the subnational level. PNG education program staff also spoke of the difficulty of working at the subnational level. Previously, the PNG Government was focused on the national system and so was reluctant to have different approaches in individual provinces. Hence, the aid program chose to align with the national government. Another problem was the lack of data at the subnational level for choosing where to work and the costs involved in data collection to fill this gap.

The two profiles below were chosen as examples of how Australian support has addressed decentralisation and engagement at the subnational level.

### 3.3 School infrastructure, PNG

*To deliver school infrastructure providing support for the design, contracting and construction of basic and secondary education facilities.*  
Australian Agency for International Development, *Australian support for basic and secondary education 2010–15, Delivery Strategy*, AusAID, Canberra, 2010.

#### Background on decentralisation in the PNG education sector

In the PNG education sector, provincial and local governments assumed formal responsibility for elementary, primary and many aspects of secondary education in 1996.<sup>14</sup> The national government is responsible for policy, regulatory and curriculum development across the sector, and for national textbook procurement. It is responsible for the system of school operating grants and management of national high schools and tertiary institutions. Teachers sit outside the provincial government workforce structures, (though provinces undertake some critical human resource functions for teachers). The national level has key teacher human resource and payroll responsibilities. The national level also has school inspectors in all provinces (though there is a concurrent provincial responsibility to also undertake school inspections). Provincial-level governments manage and maintain provincial high schools, and manage primary and elementary schools. The provincial education function grant is expected to supplement the national subsidy through either direct payment or in-kind support for schools. Local government's role is to maintain primary and elementary school buildings, though in practice this function now seems to rest with the schools themselves using national and provincial subsidies.<sup>102</sup> Accordingly, education in PNG's provinces does not fit within a 'neat' decentralised model. This may in part influence Australia's decision to limit direct and flexible support to provinces.

There is a system of intergovernmental accountability, including a mechanism that obliges provinces to expend education function grants on a set of priority areas.<sup>103</sup> However, in practice, the roles of each level are not well understood, leading to inefficiencies and communication gaps.<sup>104</sup> During our fieldwork, a provincial administrator noted that *'[a] lot of provinces are dissatisfied with the way things are done in Port Moresby. There is total indifference to us there ... they say one thing, do another, and nobody is listening.'* Similarly, a district education official said that *'people at the provincial level can preach that they are assisting, but they are not. I've been here for 14 years and never seen provincial government assisting us.'*

The financing arrangements are complex and fragmented, with delays and low levels of expenditure. The risk of corruption is present across all levels of government. In 2010, fee-free education was introduced, increasing demand for infrastructure and teachers. During our fieldwork, it was apparent that the national Department of Education has been unwilling to take the lead in responding to this demand. The responsibility nominally lies with provincial and local government, but there is insufficient ownership at those levels. PNG has no systematic mechanism that provides or earmarks funds for provincial education infrastructure. In recent years, it appears that school infrastructure is expected to be met through the ever-increasing system of constituency funding for local members of

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<sup>14</sup> In line with the *Organic law on provincial and local level government*; AusAID, *Australian support for basic and secondary education 2010–2015*.

parliament. This further complicates responsibilities at subnational level because this often operates outside provincial government systems.

## Background on support to school infrastructure and policy context

Providing school infrastructure is one aspect of Australian support for the education sector. It is of interest to this evaluation since infrastructure is clearly defined as a subnational responsibility. The PNG Education Delivery Strategy 2010–15 notes three main modalities:

- › direct financial support
- › specialised services provision, now called service provision facility (SPF)
- › capacity development.

Infrastructure provision lies within the SPF modality. SPF operates at the provincial level, with coordination at the national level, while the two other modalities had a national engagement and focus only.

The delivery strategy indicated that an external procurement specialist would provide support where the PNG Government lacks capacity to deliver new infrastructure.<sup>105</sup> The goal was ‘to deliver school infrastructure providing support for the design, contracting and construction of basic and secondary education facilities (classrooms, teacher houses, dormitories and other facilities).’<sup>106</sup> In line with this, a private contractor directly provides and installs ‘kit’ schools. The indicative budget for school infrastructure rose from \$13 million in 2010–11 to almost \$25 million per year in 2013–14 and 2014–15.<sup>15</sup> In 2010, school infrastructure expenditure comprised 28.9 per cent of education sector support.<sup>107</sup> Staff reported during fieldwork that 20 schools in 20 provinces (400 in total) are under construction.

The education delivery strategy appears to provide the main framework and basis for support to school infrastructure. There is no separate design document, which means our ability to review the evidence on this component was limited. The strategy does speak about the political, administrative, capacity, financing, public financial and management constraints related to the process of decentralisation.<sup>108</sup>

The aid program’s decision to use external contractors rather than go through PNG Government systems was based on the following reasoning:

*While there are strong arguments to move aggressively to the use of government systems, with the requisite safeguards, there are still areas where the fiduciary risk is too great at present. This is due to low capacity in key areas such as large-scale procurement and the administration of human resources.*<sup>109</sup>

A previous review of Australia’s school infrastructure support recommended that provincial roles in infrastructure provision be clarified.<sup>110</sup> This, and other lessons from the report, does not appear to be part of the current support.

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<sup>15</sup> Estimated from: AusAID, *Australian support for basic and secondary education 2010–15*, 2010, assuming that the proportion of service provision funds that is spent on infrastructure stays at the level it was in 2010, which is about 60 per cent.



Double classroom provided by DFAT as part of an infrastructure kit for primary schools, Milne Bay Province, PNG. *Photo: DFAT*



Old building housing two primary school classrooms, Milne Bay Province, Papua New Guinea. *Photo: DFAT*

## National and subnational alignment and relevance

Support to school infrastructure aligns with national government priorities and plans.<sup>16</sup> Although the need for schools in all provinces is evident, this was not always a high priority for provincial government. Our fieldwork indicated that provinces tended to prioritise roads and other areas ahead of education. In the current support, 20 school kits were provided to each province, based on the valid argument that there is a need across the country. This approach, however, does not necessarily ensure the aid program is aligned and relevant in chosen subnational locations. For example, some provinces were interested and became involved (e.g. Milne Bay) while others were reported to have never responded to letters offering free schools.

## Engagement across different parts of partner government and with community

The engagement between the national and subnational levels appeared uneven. During fieldwork, participants reported that the aid program had facilitated discussions at the national level on school infrastructure needs, and internal documentation notes the development of an infrastructure selection process.

Meeting the aspirations of the delivery strategy to engage at subnational level has proved difficult. The delivery strategy recognised the role of subnational government:

*In education and other sectors, a key lesson learned is the need to work more proactively with subnational administrations, and to specifically target capacity-building activities to subnational roles and responsibilities.*<sup>111</sup>

It also noted that *‘there is a requirement that the [SPF] support ... would ... strengthen GoPNG government and church delivery systems as part of its services.*<sup>112</sup>

However, subnational engagement and targeted capacity building around planning and undertaking new works has not been part of the support. One program staff member commented that it has been difficult to work at the subnational level in this sector. In general, the role of provincial government in the current approach to supplying school infrastructure is limited to ‘consultation’ around selection of schools. Local provincial education officials mentioned to us that they had set up a selection committee to select schools. Interviews with program staff noted that *‘provincial departments supply names of schools that need support and each province has 20 sets of facilities.’* In this same province, school staff noted the importance of the aid program provincial-level staff member who had resolved issues, including complaints about the contractor. This latter example demonstrates the beneficial role played by aid program provincial representatives at the site of service delivery, and gives some indication of the need for more formal subnational engagement with relevant authorities.

*[Working at subnational level is] built in to the strategy but the absence of an implementation plan for school development, at subnational level or otherwise made the Australian aid program’s work quite hard.*  
Australian aid program,  
staff interview

There is limited community engagement in the current approach. An earlier review of school infrastructure notes the risks of providing kit buildings: *‘There is a danger that the provision of kit sets will undermine the message of the original BEDP [Basic Education Development Project] approach, namely that communities should take their share of responsibility for school buildings.’*<sup>113</sup> Further, the review emphasised that *‘the original question of how communities and provincial authorities will*

<sup>16</sup> For example: the National Education Plan 2005–14, the PNG Universal Basic Education Plan 2010–19 and the PNG Development Strategic Plan 2010–30.

work together to build and maintain schools is still an essential one ... and one to which [Australia] and the DoE [Department of Education] will need to return.'<sup>114</sup> This evaluation suggests that more work is needed to ensure appropriate demand-side engagement. Governance programs<sup>17</sup> were reported to have some focus on the demand side of education but it was unclear how these linked to school infrastructure provision.

## Sustainability through ownership and capacity building

This evaluation found potential for a lack of ownership of school infrastructure at the school, district and provincial levels, which is likely to lead to a deterioration of the facilities. The technical design reportedly took account of this issue. Program staff indicated that even with no maintenance, the buildings were designed to last 30 years.<sup>18</sup> Overall, however, it did not seem that heed had been taken of the broader sustainability risks pointed out in the delivery strategy:

*Lessons from past Australian support to education, indicates that direct provision of services through project support has a poor track record in managing sustainability risks, demonstrated for example through lack of national funding for some key recurrent costs (teaching, materials).<sup>115</sup>*

*DoE does not provide funds or resources to ensure the maintenance and upkeep of the existing and the new school facilities and buildings funded by [the Australian aid program]. This leads to gradual breakdown and decay of buildings, reduced opportunities for students to attend and deterioration of basic education learning facilities.<sup>116</sup>*

Rather, staff reported making an explicit decision to provide school infrastructure directly through an external provider, having weighed up the risks of this and other approaches.

In one province we visited, there were arrangements in place for maintenance and interviews revealed they had recently developed a policy for asset maintenance. Australia had assisted this through a governance program,<sup>19</sup> demonstrating that linkage between aid programs is evident in some locations and is providing benefits.

*[Australian support to] education seems remote to us. We can see the benefit, but we want to be involved. I feel like a spectator ... I don't want to be negative [but] we need some feeling of involvement and ownership.*

Provincial administrator, PNG, interview

Lack of ownership at the provincial level was reported during fieldwork by the same provincial administrator who noted the difference between Australia's approaches in education and health:

*In health, we have tried but in education we haven't tried to get our provincial people involved. They [Australian education program] work outside our system. [The Australian aid program] get contractors from outside of the province who don't understand the place so you feel distance from what you're doing.*

Members of one of the provincial assemblies also asked for greater government ownership and empowerment: 'We should make some empowerment for local-level governments.' These officials

<sup>17</sup> Community Development Scheme, Democratic Transition Program, and the Strongim Pipol Strongim Nesen Program.

<sup>18</sup> Other local stakeholders indicated they did not believe it would last that long, and it is also unrealistic that additions such as water supply and ablution blocks will remain functional without maintenance.

<sup>19</sup> Provincial Performance Improvement Initiative.

voiced a desire for stronger engagement at district and local level: *'We need to think about delivering the needs of the people and this is best understood through the local-level government.'*

## Equity and gender

Support for school infrastructure was provided equally across the provinces. This was justified by aid program staff at the national level in terms of the high need across the country, and the lack of available data to allow a more informed decision: *'[The] level of need in infrastructure across the country is so high that equally across provinces is as good [an approach] as any.'* It is not clear whether subsequent provincial decisions in selecting school locations included an emphasis on poverty or equity.

The evaluation fieldwork indicated that the construction of ablution blocks had contributed to girls' attendance at school. In relation to people with a disability, the delivery strategy commits to taking their needs into account in the design of school infrastructure: *'Care will be taken to address the physical and educational needs of male and female students with disabilities, including in the design of classrooms and improving access to basic services.'*<sup>117</sup>

## Complementing other initiatives

The education delivery strategy goes some way towards supporting complementarity between different initiatives within the education sector, but does not make clear the links between the three main support modalities. The strategy mentions links with governance programs, but without clarity about the practicalities of linking or specific subnational locations where this is envisaged.

It appeared that engagement of subnational aid program staff has already proved beneficial for the education programs in the manner described in the delivery strategy:

*Officers co-located in the provincial administrations of five provinces have frequent interactions with the education divisions in the provinces and will be increasingly relied upon to provide regular feedback on the education issues, challenges and developments in the education sector.*<sup>118</sup>

Our fieldwork confirmed this by revealing that one of the recipient schools appreciated the role of the aid program officer.

## Indonesia education program.

During our fieldwork, we engaged with Australia's Education Partnership with Indonesia, particularly with the component related to school infrastructure and school systems quality. This program is somewhat similar to the one described for PNG. It involves strong national engagement with the education line ministry, and the extensive use of private contractors who engage at school level. The chosen approach is influenced by national line ministry policy on directly funding schools and bypassing subnational government. This represents a typical contradiction found in decentralised contexts between national agencies and those at local level. The program uses parallel systems for monitoring quality that is outside of government systems, and implemented by the school systems quality program. The program appeared to have limited leadership roles and engagement at the subnational level, which seems inappropriate given their responsibility for school infrastructure and its maintenance. For instance, at the subnational level one interviewee noted that: *'All [is] determined in Jakarta and local governments don't know what's going on—schools get built and local governments don't know about it.'*

This approach appears inconsistent with the thrust of the Indonesia country strategy which includes consideration of decentralisation. It is also inconsistent with evidence in the education design document, which highlights learning from past programs in Indonesia including issues of poor district capacity in school construction and maintenance: ‘in a decentralised system, capacity-building activities need[s] to work at the central and subnational levels.’<sup>119</sup> However, it is also the result of inherent tensions in the decentralised context which donors must navigate.



Teachers, Lombok Tengah, Lombok, Indonesia. *Photo: ISF, UTS*

### 3.4 Basic education in the Visayas, Philippines

*STRIVE has built systems ownership through active stakeholders' participation in systems development, and integration of changes with local management structures.*  
Australian Agency for International Development, *STRIVE in support of BESRA: independent completion report*, AusAID, Canberra, 2011, p.6.

#### Background on decentralisation in the Philippines education sector

In the Philippines, the Basic Education Sector Reform Agenda (BESRA) and subsequent Department of Education (DepEd) orders have shifted education towards a decentralised operating structure.<sup>120</sup> Service delivery, including facilitation of community participation, is undertaken primarily under the auspices of school-based management.<sup>121</sup> The education sector is ‘deconcentrated’ through regions and the divisions of the DepEd, not through actual decentralisation of responsibilities to local government. In other words, subnational education staff belongs to a national department rather than to a decentralised tier of government. However, local governments do have a place on school boards. In 2010, the DepEd was ‘ill-prepared to shift to decentralised education management as their

*organisation structure and functions were not appropriate and information management was unreliable.*<sup>122</sup> Aid program staff reported that the challenge is the large bureaucracy (across 17 regions) and an inadequate capacity to communicate with authorities at the subnational level. They also reported that there is a strong vision and change agenda active at the national level, which is making a difference.

An important distinction to note is that in the Philippines decentralisation of the education sector is through deconcentration only, and hence many of the power dynamics present in other countries (such as Indonesia and PNG described above) are not at play. Instead, the national department is more easily able to exert influence on its departments at subnational level.

## Background on the initiative and policy context

BESRA was supported by a national initiative: Strengthening the Implementation of Basic Education in Selected Provinces in the Visayas (STRIVE). The goal of STRIVE was to improve the quality of and access to basic education and it focused on education management and learning support systems.<sup>123</sup> The strong subnational engagement within STRIVE was intended to influence national systems that had proven hard to change.<sup>124</sup>

STRIVE's first phase focused on leadership and management, and out-of-school children. STRIVE's second phase focused on school-based management, human resource development (specifically for in-service education and training), and learning resource materials.<sup>125</sup> The initiative also focused on change management and systems for reform, including *'quality assurance, monitoring and evaluation and improving access and equity.'*<sup>126</sup>

The evidence for the design rested on previous Australian education programs in the Philippines as well as efforts by multilateral banks.<sup>127</sup> The school-based management reforms align with approaches outlined in international literature.<sup>128</sup> The design for STRIVE 1 included some analysis of deconcentration within the education sector, and the design for STRIVE 2 follows up with a response to sector reforms, but does not specifically examine issues and priorities at the subnational level or the demand side of service delivery. Subsequent studies were undertaken to fill knowledge gaps, including an examination of DepEd capacity to implement school-based management.<sup>129</sup>

## Alignment and relevance to national and subnational levels

As mentioned earlier, the education sector is deconcentrated in the Philippines, rather than fully decentralised. Hence, questions about alignment and relevance to multiple levels of government are less important than for other profiles presented in this report. The key stakeholder for the Australian aid program was the national department. STRIVE used partner systems and was characterised as a DepEd project supported by the aid program and the managing contractor: *'STRIVE has worked from the inside to use and develop DepEd systems.'*<sup>130</sup>

The program demonstrated alignment and relevance to the national level agenda. A review confirmed that STRIVE was *'consistent with GoP [Philippines Government] policies at design and has remained relevant despite a range of planning, policy and legislative changes during implementation.'*<sup>131</sup> After a change in national leadership,

*Working at subnational level ... has demonstrated that achievement of our objectives is far more certain. In part, this is a matter of scale but it is also a question of the degree to which regions are more prepared than is national office to change structures and processes, be innovative and respond quickly to new ideas.*  
AusAID, Philippines Strategy Program: performance report, 2011, p.19

it appears that STRIVE was successfully realigned to adjust its focus towards restructuring of regional offices and a stronger governance focus.<sup>132</sup>

While STRIVE was influenced strongly by the national government agenda, the program has also been relevant and aligned to needs at the subnational administrative levels (regional and divisional levels).

### Engagement across different parts of partner government and community

STRIVE worked with the DepEd central office, three regional offices<sup>20</sup> and four school divisions.<sup>21</sup> At the national level, management guidance and support by DepEd central units was provided through a national committee.<sup>133</sup> Engagement at the subnational level was reported to have empowered government staff in regions and divisions.<sup>134</sup> A review confirms this: *'The systems are there; they are ours; we are using them; we cannot lose that. Also, our relationships have changed because of the restructuring. We do not belong to different divisions now; we work as a team.'*<sup>135</sup>

STRIVE did not have a strong focus on the demand side of service delivery.

### Sustainability through ownership and capacity building

STRIVE was perceived to have developed strong ownership within the structures of the DepEd at central, regional and divisional levels.<sup>22</sup> The approach to ownership was described by an aid program interviewee: *'We let them take the lead in the reform agenda. They allow us to provide input into policy, processes, structures.'*

The main sustainability objective of the program was *'to provide the environment that will enable the STRIVE sites to continue utilising and replicating the outputs of STRIVE in the Visayas, and for central office to take on the recommendations from the development work as inputs to BESRA work.'*<sup>136</sup> A range of strategies was used to achieve this. Participation, partnership and training were integral components, with attention to matching training with needs. Efforts to improve organisational functioning used existing structures. For example, programs were monitored by regional and divisional supervisors as part of their normal roles.<sup>137</sup>

The program lobbied for counterpart contributions to ensure tangible evidence of ownership and commitment. For example: *'Approximately 218 personnel across the pilot schools, divisions, district, regions and central office were given dedicated part-time or full-time release for commitment to the project.'*<sup>138</sup> In addition, pilot regions allocated funds to ensure ongoing impact: *'The pilot regions have budgeted in their [plans] for the cascading work required to ensure that all divisions, districts and schools receive the necessary training to implement the systems developed with STRIVE support.'*<sup>139</sup>

At one stage, there was concern about uptake at the national level. Two reports raised questions about the role of the central office: *'There are serious concerns, however, as to the degree to which organisational learning is taking place at central level'*<sup>140</sup> and *'DepEd central office does not have the capacity to manage the rollout after STRIVE technical assistance ends in April.'*<sup>141</sup> However, aid program staff during this evaluation reported that these issues were addressed by the current administration and that almost all STRIVE outcomes have been nationally implemented.

In addition, concerns have been raised about capacity at the district level:

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<sup>20</sup> Namely, Region 6 (Western Visayas), Region 7 (Central Visayas), Region 8 (Eastern Visayas).

<sup>21</sup> Namely, Negros Occidental/Bohol, Tagbilaran, and Northern Samar; AusAID, *STRIVE quality at implementation report*, 2010.

<sup>22</sup> Quality at implementation reports scored sustainability as 4/6 (2007), 5/6 (2008), 5/6 (2009), 4/6 (2010).

*Despite positive developments in STRIVE, the ICR [independent completion report] team observed that the leadership and support for SBM [school-based management] and school improvement plans is weakest at the district supervisor level. Staff working at this level requires motivation, commitment and resources if they are to perform this function effectively. Greater attention needs to be given to this level in follow-on activities in support of SBM.<sup>142</sup>*

## Equity and gender

Within design documentation, analysis of poverty and equity at program locations is minimal. The design does provide a general statement that locations were chosen based on indicators of poverty and low levels of basic education.<sup>143</sup> However, further analyses used to identify appropriate subnational locations are not mentioned. Later documentation such as the independent completion report does not make any specific reference to poverty. There is also no mention of specific disadvantaged groups or of addressing the needs of children with a disability.

Consideration of gender within project implementation is limited, and the initiative scored 3 out of 6 (*inadequate*) for gender equality in the independent completion report. Some efforts were made,<sup>144</sup> however, the capacity of the DepEd to prioritise gender was described as a barrier to promote gender equality considerations. There was a reported '*lack of a definitive and well-institutionalised GAD [gender and development] policy and a lack of direction in gender budget initiatives for the department.*'<sup>145</sup> This review also notes that sex-disaggregated data was collected, but that '*there is little evidence that this data has been analysed and used to design interventions that could improve gender equality and learning outcomes.*'<sup>146</sup> There was evidence of small-scale actions to support gender equality, for example empowerment of women within one element of school-based management in some pilot schools,<sup>147</sup> and since women occupy many roles within DepEd, 71 per cent of participants in project activities were women.<sup>148</sup> However, overall the report described the result against gender as '*disappointing*'<sup>149</sup> and noted limited awareness among teachers of gender issues.<sup>150</sup>

*The DepEd is reported as having an 'inconsistent' record in mainstreaming gender. This appears to result from limited understanding among the current DepEd senior management of gender mainstreaming and of the nature of a gender-aware organisation.*

AusAID, STRIVE in support of BESRA:  
independent completion report,  
2011, p.iii

## Complementing other initiatives

Australian support for the education sector is increasingly viewed as a 'program' by DepEd and other stakeholders.<sup>151</sup> Other initiatives seen as part of this program include the Support to Philippine Education Reform Trust Fund, the Education Performance Incentive Fund and specific project funding in Basic Education Assistance to Mindanao.<sup>152</sup> The STRIVE completion report notes that the initiative is part of a '*move towards strategic system-wide engagement in policy development and implementation and scale-up.*'<sup>153</sup>

## 4 Lessons from the infrastructure sector

### Evaluation question

- › What key implementation lessons and good practice would improve sectoral programming in decentralised contexts?

### Key findings

- › Australian support to infrastructure provides examples of working in innovative ways at the subnational level, including demand-led approaches and the use of incentives to improve the effectiveness of decentralised governance structures.
- › The Philippines infrastructure profile demonstrates the potential for more effective governance within infrastructure programming.
- › The Indonesian water and sanitation profile demonstrates the potential for building on existing partner government mechanisms to support effective service delivery at the local level. The demand-driven approach means that the local governments involved were inherently motivated. Poverty is targeted by the requirement that funds must support access to services for low-income and poor households.
- › In the Philippines road program, there were challenges concerning weak subnational financial management and questions of who should carry risks. The contractor avoided risk by bypassing both provincial and national engagement in the work, which undermined the capacity building and use of performance incentives. A program review highlighted where implementation had diverged from the design, and Australia was able to take back responsibility for the initiative and consider how to better share risks with a future contractor.
- › Both profiles show that sustainability through ownership and leadership at both the national and subnational levels is challenging. The limited subnational government capacity to sustain new services is as an area that needs further attention.

The chapter has four sections: infrastructure service delivery and decentralisation (Section 4.1); Australian infrastructure sector support (Section 4.2); and two profiles based on in-country fieldwork—a maternal and neonatal health program in Indonesia (Section 4.3) and support to provincial health authorities in PNG (Section 4.4).

### 4.1 Infrastructure service delivery and decentralisation

In decentralised contexts, responsibility for water and sanitation services usually lies with local government, sometimes with functions contracted out to private sector or non-government organisations (NGOs). In many countries, community management structures are formally recognised as service providers.<sup>154</sup> Beyond the challenges common to service delivery described in Section 1.2, three other points below are important regarding water supply, sanitation and roads respectively.

- › Water supply infrastructure concerns in relation to decentralisation have been predominantly around clarifying responsibility within levels of government for building new water systems. Less attention has been given to responsibility and capacity for support to maintenance and management of existing systems, severely affecting sustainability of service outcomes.<sup>155</sup>
- › Sanitation services have been overlooked due to a focus on safe water supply, and responsibility for sanitation is frequently fragmented across different agencies such as health, public works and environment. In many countries, there is a lack of policy, regulation and governance, and local governments rarely prioritise this sector. In rural areas, it is increasingly considered that sanitation services are a private investment and that the role of subnational government is to facilitate behaviour change, support product markets and monitor progress.
- › Responsibility within the transport sector is often shared between national and subnational levels of government. A key issue for this sector in decentralised contexts is that the bulk of the required expenditure on transport is for maintenance.<sup>156</sup> Ongoing dependence at the subnational level on national funds often results in insufficient funds for road maintenance. Further, limited institutional capacity at the subnational level often undermines planning and budgeting and leads to the common approach of ‘contracting out’ road maintenance. Lastly, decentralisation laws may not provide adequate detail regarding where responsibility lies for transport infrastructure services.

One last matter concerning various types of infrastructure and decentralisation is that in some Melanesian countries, such as PNG, there is increasing expectation that infrastructure be facilitated through use of constituency funds from members of parliament. This presents issues around politicisation of these funds, lack of coordination with subnational authorities and potential for low-quality implementation due to low public works skills and capacity.

## 4.2 Australian infrastructure sector support

Australian assistance in the infrastructure sector is guided by two thematic strategies. The aid program’s water, sanitation and hygiene (WASH) strategy, demonstrates relatively good coverage of issues in relation to supporting service delivery in decentralised contexts. It focuses on access to safe water and basic sanitation, improved hygiene behaviour and creating sustainable services through better governance.<sup>157</sup> Australia’s support for roads is viewed as a catalyst for economic development, and the key focus is on maintenance and preservation of existing infrastructure.<sup>158</sup> This strategy has had a mixed influence on how projects address decentralisation and the role of subnational governments (see Section 6.1).

In 2014–15, the Australian aid program will spend 10 per cent of its funding on infrastructure (\$530.3 million).<sup>159</sup> Investments in water and sanitation infrastructure are implemented through multilateral organisations, the private sector, civil society organisations, bilateral programs (e.g. in Indonesia, East Timor and Vietnam) and regional programs. Australia’s global engagement helps it to influence global policy on WASH, and to build knowledge to improve the effectiveness and delivery of WASH services. Results in 2012–13 included 2 257 000 people with increased access to safe water, and 1 910 000 with access to sanitation. Investment in infrastructure has increased over recent years, and in 2013–14 is expected to total 7 per cent of overseas development assistance. In 2012–13, 4400 kilometres of national roads were rehabilitated, maintained or constructed as a result of Australian aid.<sup>160</sup>

As with the health and education sectors, infrastructure support has evolved in recent years. Some key large-scale initiatives (such as the Indonesia infrastructure facility which covers both water and

sanitation infrastructure as well as roads) have a strong governance focus. Moreover, during fieldwork in Indonesia, it was clear that staff were aware of the issues associated with decentralised contexts, such as poor asset management, lack of local ownership, and tensions between national and subnational authorities.

The Transport Sector Support Program in PNG was also discussed during our fieldwork, and aid program staff considered options for future subnational engagement. While this program focused on national roads, interviewees were keen to *'look at what can be done for provincial roads'* and suggested that an *'outputs-based model and incentive scheme'* would be needed. They pointed out the lack of capacity and associated risks: *'[Provincial-level organisations] don't have the people or systems etc. to manage funds whereas the works department at a national level do, and they do know what they are doing'* and *'it would be extremely high risk plying money into the provincial government.'* These are issues addressed in the profiles presented below.

The two profiles were chosen to provide insight into the support Australia provides for subnational governments and local service systems.

### 4.3 Water and sanitation Hibah, Indonesia

*Decentralisation has been an opportunity, to develop new systems that incentivise ownership and service delivery through different types of funding arrangements.*

Program contractor, Indonesia, staff interview

#### Background on decentralisation in the Indonesian WASH sector

In Indonesia, district governments are responsible for water supply and sanitation.<sup>23</sup> Ambitious goals have been set by the Ministry of Public Works (MoPW),<sup>24</sup> but the investment and operational performance of water utilities is poor.<sup>161</sup> Legislation excludes central government from implementing projects in water and sanitation, but district governments have been reluctant to invest.<sup>162</sup> The result has been a reported loss in service delivery: *'For water, there has been a notable decline in service delivery'* and *'only 11 cities have sewerage.'*

The sector is complex; roles are distributed across MoPW (technical agency), Ministry of Health (water quality), the Ministry of Home Affairs (MoHA); administration, utility organisation structures, tariff guidelines, Bappenas (planning) and the Ministry of Finance (MoF); financing.<sup>163</sup>

Service provision is uneven and higher capacity, more responsive districts perform better. In addition, tensions between the different levels of government are evident. During our fieldwork, sector stakeholders reported *'central government still acts as a gate-keeper. Local government feel that central government take away any choices they have.'* As one stakeholder put it: *'There is still an institutional reluctance to decentralise.'*

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<sup>23</sup> First in 1999 (Law 22 of 1999 on regional autonomy and law 25 of 1999 on fiscal balance.) and later in 2004 (Law 33 of 2004 and Law 33 of 2004 revising laws 22 and 25 respectively).

<sup>24</sup> MoPW reported goals to reach the Millennium Development Goal target of 67.87 per cent access to water supply.

## Background on the initiative and policy context

The Water and Sanitation Hibah (the ‘Hibah’<sup>25</sup>) focuses on water supply and sanitation connections for poor urban households. The initiative aims to:<sup>164</sup>

- › expand and improve service delivery
- › increase local government investment
- › improve sustainability through sector reform and improved local-level governance.

An initial phase in 2009–11 (\$20 million) reached 77 000 households with water and 5000 with sewerage, working with 35 different local governments. A second phase in 2011–14 (\$95 million) aims to reach a further 250 000 households with water and 9000 with sewerage, working with 95 local governments. The initiative uses an innovative output-based approach to incentivise local governments to invest in their utilities.<sup>165</sup> Installations are paid for by the district and then reimbursed. The aid program provides support to the Hibah via MoPW and MoF by a managing contractor, the Indonesia Infrastructure Initiative (IndII).<sup>166</sup> The initiative partially uses partner systems ‘*until MoPW has the necessary financial and human resource to adequately supervise the Hibah program an external program of assistance through the IndII Facility will be required.*’<sup>167</sup>

In general, the initiative is based on sound evidence concerning decentralisation. Key areas covered well in the two relevant design documents were:

- › recognition of roles defined by decentralisation legislation
- › analysis of decentralisation reform and its implications
- › newly emerging mechanisms for fiscal transfer to local governments
- › the need for incentives for local governments to invest in service delivery.

We found weaknesses in the evidence base in two areas: subnational capacity and the demand side. There was little examination of local government-owned water company (PDAM) or local government capacity to manage services in the long term, aside from the information on the financial status of PDAMs. Issues of accountability, participation and capacity at the subnational level were not addressed.<sup>168</sup>

## National and subnational alignment and relevance

The Hibah is aligned and relevant at both the national and subnational levels. National government departments are strongly involved, including MoPW, MoF and BAPPENAS.<sup>169</sup> The Hibah is aligned with national priorities to meet the MDGs and addresses key decentralisation challenges.<sup>26</sup> During our fieldwork MoPW explained that ‘*we see [the Hibah] as a good process for decentralisation. All proposals come from the local government not from national.*’

*Participation is voluntary and competitive, and there is keen interest on the part of local governments and [utilities] despite stringent eligibility conditions.*

Water and Sanitation Initiative design summary and implementation document, AusAID, Canberra, 2009

<sup>25</sup> ‘Hibah’ means ‘grant.’

<sup>26</sup> Quality at implementation scores for 2011, 2012 and 2013 for ‘relevance’ were 5/6, 6/6 and 6/6 respectively, supporting this recognition.

Involvement of subnational government is demand driven.<sup>170</sup> This approach ensures relevance and alignment at the subnational level.<sup>27</sup> Interviewees at the national level reported there was initial scepticism by local governments: *'Most sceptical were the local governments—they weren't sure they'd get approval from parliament or mayors. Usually they see money first rather than use their own.'* There were challenges in letting local governments know of the program, but despite this the program has been over-subscribed.

## Engagement across different parts of partner government and with community

The balance of engagement across national and subnational levels was assessed by this evaluation to be appropriate, with the caveat that it is not clear whether the initiative is meeting capacity needs at the subnational level. The main support that is provided at the subnational level concerns the grant mechanism itself rather than broader capacity building.<sup>171</sup> In addition, with the shift to the new phase of the Hibah in 2012, there has been national level resistance to multiyear budgets because they would require the national government to relinquish some control. As one stakeholder put it: *'Central government doesn't want their budgets affected.'* Multiyear budgets are a key feature to enable local governments to plan in advance for better implementation.<sup>172</sup>

The balance of engagement with other central agencies may not be appropriate, as engagement with MoHA appeared limited. MoHA are responsible for local government, and they *'have the formal authority with respect to change of the nontechnical systems of PDAMs.'*<sup>173</sup> MoHA are responsible for laws concerning tariff setting. Under current tariffs, few utilities recover their costs.<sup>174</sup> The need for engagement with MoHA was raised in an internal peer review<sup>175</sup> with a response that the initiative would look *'to increase the participation of MoHA in activities.'*<sup>176</sup> Our evaluation was unable to verify if this was followed through however an aid program staff placed in MoHA for another program may facilitate this engagement.<sup>28</sup> One program staff member noted that *'[having] lots of players has slowed down the process due to negotiations.'*

*Fragmentation at the local government level is [caused by] multiple sources of funding. This causes a lack of consolidated programming. To what extent can we consider strong cross-sectoral linkages at the central level? The program has strong linkages with MoF and MoPW, but it would be good to involve MoHA which would have a good flow-on effect to the LGs [local governments].*

*Concept peer review minutes for next phase design, AusAID, Canberra, 2011, p.5*

The Hibah had significant success in striking a balanced engagement with political leaders and local administration. Local leaders are important to development of services, as mentioned by a local agency in east Indonesia: *'My responsibility is limited to ... forward [inputs] to Bupati who are the decision-making. Water utility tariffs, Bupati set these too.'* At the national level, a managing contractor staff member reported: *'The Hibah program ... aligns incentives for everything. Local government sees there are votes in this'* and *'We also work with the media, with MoHA—explicitly recognise*

*WASH used to be the lowest priority—it was cut off from the political process. So if we make it political, work with champions and mayors, this helped to speed up achievements. They share their stories and then get re-elected due to the success—so it has political value.*

*Program contractor, Indonesia, staff interview*

<sup>27</sup> There were 39 local governments in Phase 1 and 95 in Phase 2.

<sup>28</sup> Aid program staff confirmed appointment of an adviser within MoHA who is not dedicated to the hibah, but concerned with a new sanitation grant program. The adviser is expected to contribute to institutional and regulatory initiatives for sanitation services delivered by local governments (personal communication).

*these achievements and the political value behind it.'*

Engagement was weighted towards the supply side with more limited focus to the demand side. During implementation, baseline assessments were undertaken to understand which members of the population were interested to connect and to verify connections.<sup>29</sup> The following issues are not addressed in design or implementation: the availability of service agreements, customer complaint mechanisms, expected service levels, participation in tariff setting and potential mechanisms to raise demand for better service delivery through citizen voice and pressure on local government.<sup>30</sup> In addition, limited demand-side knowledge of sanitation contributed to challenges. Demand for connections was found to be lower than expected and this led to reallocation of funds to water.

## Sustainability through ownership and capacity building

Ownership of the Hibah initiative at the national level is strong. For example, there are examples of government investments: *'DGSH [Director General of Human Settlements] has established a full staffed CPMU [Central Project Management Unit] to manage the water hibah and is using its own resources and funding to administer the program.'* Ownership at the subnational level is also strong. The self-selection of local governments ensures ownership. Indll staff explained: *'Hibah [...] give[s] local government a sense of ownership. Local government decide how it works.'* Local governments invest in the initiative: *'The water hibah grant is sized to provide approximately 40 per cent of the full cost of development of new connections. It represents about 65 per cent of the marginal cost of extending the network for new connections.'*<sup>177</sup> However, some investment may have come from PDAMs rather than local governments: *'The first phase of the Hibah was so successful because PDAMs were strong—they had budgets and could move before the local governments could provide money. More than half was pre-invested by the PDAMs.'*<sup>178</sup> To receive the grant, local governments are required to enact a local regulation that sets out the equity investment to PDAM, and this is an important step forward.

*The water Hibah design required local government to invest equity into the PDAM equal to or greater than the grant. While most local government invested funds to equal the grant, some invested in excess.*  
Concept peer review minutes, AusAID, Canberra, September 2011

Sustainability of the Hibah has been positively assessed.<sup>31</sup> However, questions have been raised about whether the Hibah has provided sufficient capacity-building support at the local level to ensure sustained services.<sup>179</sup> In phase 2: *'Weaker local governments and PDAMs will be a challenge. The main design feature that will allow us to [work successfully with weaker local governments] is the three year program.'*<sup>180</sup> The challenges to sustaining services raised in interviews were:

- › lack of commitment of local leaders: *'Commitment of local leaders influences success. If local leaders commit, they will have a good [utility]. This is a challenge as some provinces have less commitment.'*
- › lack of local investment in services (reliance on central government investment): *'There is reliance on the centre to bring investment down'* and *'things are built by central government but local*

<sup>29</sup> This examines whether households stay connected and pay for their connection for three months.

<sup>30</sup> Other smaller Australian aid initiatives in Nusa Tenggara Barat and Nusa Tenggara Timur provinces do address these areas.

<sup>31</sup> Through three quality at implementation reports (scoring 4/6, 4/6 and 5/6 for 2011, 2012 and 2013) and through the independent evaluation (judged as 'good'; AusAID, *Independent evaluation of the Hibah Program Indonesia*, 2011).

*government must operate them—but no ownership for maintenance—they still look to central government.'*

- › inadequate asset management, and funds for operation and maintenance: *'Maintenance and operations are the responsibility of PDAMs. It's a local responsibility to charge tariffs etc. In [some locations], tariffs might be too low to develop the system. In addition to national funds, the district should contribute' and 'asset management is a problem—no sense of ownership.'*

Actions to address sustainability were expected to be rolled out in 2013, and the issue to be given prominence: *'Sustainability aspects are not so strong. This can be addressed in the design. Operations and maintenance has not really been addressed at all. We need to think of things such as: are we addressing this at the LG [local government] or PDAM level? Do they have a skilled workforce?'*<sup>181</sup> It is not clear if or how these aspects have been taken up in phase 2.

## Equity and gender

The Hibah was targeted at low-income and poor households.<sup>32</sup> MoPW made this clear and pointed to the value of this focus: *'The problem is in making connections for the poor who cannot afford it ... local governments don't have a budget to look after the poor.'* Aid program staff also noted that *'pre-program, local governments were less willing to invest in the lowest tariff tier [based on a] belief that poor people won't pay their bills. But now they are seeing the benefits.'* Governments in poorer areas may have difficulty in implementing the initiative. Staff commented that local governments in the eastern islands, where poverty is higher, are weaker. A government staff member from that location also noted that *'we did not meet the requirements for this. They might approve it for [us] in the future though—the mayor has agreed to propose this.'*

In terms of gender equality, there were no specific indicators, however the initiative expected to benefit women and girls, and had collected but not analysed data about households headed by females.<sup>182</sup> Quality at implementation reports noted the need for a gender action plan (2011, score 5/6), analysis of female-headed households (2012, score 4/6) and the need for aid program staff to devote attention to this area with the contractor (2013, score 4/6). Overall, attention to gender equality could be improved,<sup>183</sup> and there is a need to work *'with local governments to ensure their decision-making about community infrastructure (such as public toilets) have considered the interests of the whole community, especially women, elderly and people with disabilities.'*<sup>184</sup>

## Complementing other initiatives

The Hibah was linked to some other IndII activities (e.g. the '20 PDAMs' initiative which sought to build capacity within PDAMs) but was not well linked to other initiatives. This issue was raised during peer review for the next phase, including the need for linkage to governance programs.<sup>185</sup> In addition, another WASH sector program, PAMSIMAS, has quite a different approach to the Hibah, and during fieldwork this was raised as an issue: *'PAMSIMAS is ... a centralised program, it is putting funds into a centralised fund for services that are the responsibility of local government. PAMSIMAS sidesteps local government. That's the issue.'* and *'PAMSIMAS uses new systems; Hibah uses existing systems. [The Hibah is] staying out of PAMSIMAS locations. Twenty years down the track, which system will survive? At what point will central government pull out of local government? Central government can't*

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<sup>32</sup> The concept note for Phase 2 gives the clearest definition: *'The utilities must ensure that the expansion results in connections to low income households, 50% of which are classified as poor. Low income household in the hibah program have been defined as households with an electricity connection <1.3KVA whilst poor households are those with an electricity connection <0.9 KVA'; AusAID, Concept peer review for Australia-Indonesia Infrastructure grants for sanitation, water hibah and sanitation hibah, 2011, pp.23–24.*

keep funding local government.’ The difference in program approaches demonstrates the challenges in achieving coherence when working in decentralised contexts.

## 4.4 Provincial roads management, the Philippines

*PRMF is not a typical roads program. It encourages provincial governments to invest in and change the way they do road maintenance and make local government more accountable in providing basic services. PRMF uses a substantial suite of incentives to encourage reform.*

*Australian Agency for International Development, 2007–11 Philippines strategy program performance report, AusAID, Canberra, 2011, p.10*

### Decentralisation in the Philippines roads sector

Responsibility for health, local roads, social welfare services, provincial infrastructure and a number of other services was devolved in the Philippines in 1991.<sup>186</sup> The two largest sectoral areas of expenditure by provincial governments are typically health and roads. Over 85 per cent of the road network falls under the jurisdiction of provinces and cities, municipalities and barangays. The national government is involved in policy setting but such policies ‘are often not well implemented at the local government level ... In many provinces the guidelines are poorly understood or followed and a gap remains between the objective and the reality.’<sup>187</sup> There has been a progressive deterioration of provincial roads due to the low priority given to them and limited budget at the national and provincial levels to rehabilitate and maintain roads: ‘On average, a road is “maintained” once every 8 years.’<sup>188</sup> Performance is variable across provinces and unpredictable funding from national government affects capacity for planning and budgeting.

Three main constraints exist at the subnational level. These are:

- › lack of authority for revenue raising through taxes, and a lack of political will to support local revenue raising
- › weak accountability and civil society engagement
- › lack of capacity in technical aspects of road maintenance, planning and budgeting, monitoring, financial management and human resources.

### Background on the initiative and policy context

The Philippines Provincial Road Management Facility (PRMF) was designed in 2008 as a five-year program, with provision for extension for a further five years since ‘the institutional reform process required is likely to require at least 10 years to achieve the targeted changes.’<sup>189</sup> Funding for the initiative was approximately \$94.5 million.<sup>190</sup> The program was designed within the aid program’s governance sector, which is a point of difference with other case studies. The program intended to use roads as an entry point for provincial governance reform since ‘road sector planning reflects the wider challenges for improving public administration and governance across all development sectors at the provincial level.’<sup>191</sup>

The PRMF’s goal is ‘increased economic growth and improved public access to infrastructure and services in the southern Philippines.’ There are two objectives:

- › improve the sustainable Philippines Government provision, management and maintenance of a core network of provincial roads in targeted provinces

- › strengthen provincial institutional capacity and governance systems related to the provision and maintenance of provincial roads.

The initiative worked initially across seven provinces with three more provinces included later. Annual incentive grants were offered based on provincial performance criteria.<sup>192</sup> The financing approach was through an Imprest Account managed through the managing contractor.<sup>193</sup> For a number of reasons, however, the envisaged design was not implemented.<sup>33</sup> The initiative has been directly managed by the aid program until another contractor commences.

*Management of funds will only be given to provinces that have acceptable project development and financial management procedures and capacities.*

PRMF Design; p.9

The design of the PRMF was based on mostly sound evidence concerning decentralisation.<sup>34</sup> There was strong analysis of issues at the subnational level, including corruption as a risk factor with respect to provincial governors, municipal/city mayors or barangay captains.<sup>194</sup> As a result, the design proposed that only provinces with proven systems and capacities would manage funds.<sup>195</sup> The design required fiduciary risk assessment to be undertaken within target provinces,<sup>196</sup> but aid program staff noted this was not undertaken for some time. There was also limited assessment of demand-side issues, particularly with regard to particular social groups or women. There was some discussion of gender and social inclusion and the need for participatory planning processes, but no detailed evidence to support demand-side strategies.

## National and subnational alignment and relevance

The program has strong alignment and relevance to national priorities. The program objectives are matched to the goal of inclusive growth described in the Philippine Development Plan<sup>197</sup> which includes a focus on rewarding local governments for improved services to the poor, and is also aligned to the Department of the Interior and Local Government (DILG) governance reform agenda (Seal of Good Housekeeping, Performance Challenge Fund, Local Governance Performance Management Systems).<sup>198</sup>

Alignment with agendas at the subnational level is less clear since these are not described in program documentation. Also, the design features aimed at strengthening alignment (allocation of funds to better performing provinces) did not function as expected.

## Engagement across different parts of partner government and with community

The design involved balanced engagement across both national and subnational levels. However, neither engagement played out as planned. At the national level, the original plan was to have an advisory board chaired by the Australian aid program and the National Economic Development Agency.<sup>199</sup> DILG also had a role to '*disseminate lessons learned and reforms ... to the national government.*'<sup>200</sup> Independent appraisal of the design questioned why there was not stronger engagement at the national level: '*A committed counterpart at the national government is not*

<sup>33</sup> Originally, the PRMF was managed by a Facility Managing Contractor that reported to a Project Steering committee comprised of AusAID and DILG. However, due to implementation issues identified in the 2012 independent review, the original contract was suspended in late 2012, and the program came under direct AusAID management on 1 October 2012 while a new facility manager was procured. On 1 October 2013, AusAID formally ended its direct management and handed over day-to-day responsibilities to a new Support Contractor.

<sup>34</sup> It scored well in the quality at implementation report for 'analysis and lessons' (5/6); Australian Agency for International Development, *Quality at implementation report PRMF*, AusAID, Canberra, 2008.

identified but needs to be brought in to make the concept sustainable. This will be a critical issue; it begs the questions of whether a program of this size and nature should be initiated without national government engagement in place.’<sup>201</sup> Within the lifetime of the program, such engagement became even more important due to the strong reform agenda of the new government. This issue has now been taken up and a stronger role for DILG is envisaged,<sup>202</sup> including a package of support.<sup>203</sup> DILG also agreed to be the procuring entity for PRMF rehabilitation and maintenance contracts.

The engagement process with provincial government did not go ahead as planned. The managing contractor retained control of procurement and contracting processes rather than using provincial government systems, and the incentive program did not achieve the expected results: ‘There is a pervasive divergence between the PRMF espoused theories and those in actual use.’<sup>204</sup> The incentive program, which was intended to improve institutional and governance issues, instead encouraged a compliance response:<sup>205</sup> ‘The incentive mechanism does not take account of the complexities of the differentiated political economic environments found in the individual provinces.’<sup>206</sup> Overall, it appears that there was excessive risk placed on the managing contractor. During our fieldwork, a key lesson mentioned by aid program staff was that ‘[the Australian aid program] should not devolve [risk to the managing contractor] but should carry the risk’ and should be in a position to ‘withdraw if provinces can’t meet their end of the bargain.’ In future, the aid program will share this risk.

The country strategy includes a focus on the demand side, engagement of the poor and ‘facilitating partnerships between government and civil society to create stronger demand and accountability for change.’<sup>207</sup> Yet this this was not a strong feature of PRMF. The independent progress review raises concerns about the lack of engagement with local NGOs, and the lack of involvement of local knowledge or perspectives or development of provincial staff capacity to undertake participatory planning processes. For example, the review notes that the community engagement model is ‘still primarily limited to information and consultation and paid employment, missing opportunities for more collaboration leading to local recognition of responsibility and ownership.’<sup>208</sup> The review also notes that ‘local knowledge of road use, local needs and available access to needed services remain essentially untapped.’<sup>209</sup> The review saw PRMF as needing a stronger role in improving provincial capacity for participatory planning because it is ‘important that the capacity development program incorporates activities for provincial staff to increase their knowledge and skills in facilitating participatory community engagement processes.’<sup>210</sup>

## Sustainability through ownership and capacity building

The strategies in the PRMF design to ensure sustainability were not implemented. Strong criticism in a mid-term review prompted a revision to arrangements and suspension of the contract. The rating for sustainability dropped from 5/6 (2009) to an ‘inadequate’ 3/6 (2010 and 2011). Leadership had not been established at the national level, and only recently have arrangements changed to ensure stronger leadership from DILG. The independent review also noted ‘there has yet to be any move to leverage national government resources.’

Lack of ownership, capacity and leadership by the provinces was also reported and has been responded to.<sup>211</sup> However, recent planning documents point out the challenges in shifting implementation responsibility to provinces: ‘Public financial management and procurement assessments involving five provinces are

*[We need to] move beyond doing things for and on behalf of provinces, to encouraging provinces to lead. This will not happen automatically, all the key stakeholders will have to deliberately change their assistance in ways that will support this transfer.*

PRMF Technical Monitoring Group fourth monitoring mission, fourth monitoring report, AusAID, Canberra, 2011, p.1

*yielding mixed results ... additional safeguard measures would be required for a transition to full management by and use of a provinces budget and procurement systems.'*<sup>212</sup>

The aid program's direct management of PRMF has led to several changes to address the sustainability challenges noted above. Notably, the recent plans confirm that *'PRMF now works closely with DILG and provides targeted, demand-driven support.'*<sup>213</sup> There are a range of supports provided to DILG, including an approach to working with provinces that *'could be replicated in a national program.'*<sup>214</sup> The path ahead remains challenging and achieving ownership at both the national and subnational levels is an ambitious, yet important, goal. Interviews with program staff noted that building the case for replication at the national level is difficult, particularly given that the design had little focus on DILG. Interviews with DILG representatives at the national level noted an inability to sustain changes, and concerns about this for the future: *'During the project we have the resources and the experts but these leave at the end of the project.'*

## Equity and gender

The PRMF design document does not describe a poverty focus in the choice of subnational locations. However, two of the target regions (Visayas and Mindanao) are noted to have poverty rates higher than the national average.<sup>215</sup> The collection of sex-disaggregated data is a strength, yet there is no analysis and use of this data and the gender strategy has not been implemented. Recent planning documents note that *'PRMF has not been proactive in promoting gender equality in the physical works program.'* Construction is male-dominated in spite of the potential to involve women: *'Despite strong interest from women who possess the requisite skills, contractors do not see, or they overlook the relevance of female participation in construction work.'*<sup>216</sup> A range of missed opportunities and negative gender outcomes were noted in the independent review. Despite women's desire to be more involved in road management, their involvement was limited to cleaning drains. Contractors did not prioritise empowering women (or local people in general), and no provincial women's or disability groups were consulted at the local level. Moreover, some roads are inaccessible for women and children.<sup>217</sup>

## Complementarity with other initiatives

Collaboration with other programs (both the Australian aid program and World Bank) was noted in the design, but is not mentioned in subsequent reports. PRMF builds on and expands Australian aid program's *'existing geographical focus in Mindanao and the Visayas islands.'*<sup>218</sup> The current plan notes the close operational partnerships with other governance programs. These include the aid program's Coalitions for Change program which *'is active in several PRMF partner provinces and the work is directly relevant to budgeting and programming.'*<sup>219</sup> The plan also notes a partnership with the Human Resources and Organisational Facility, which strengthens human resource development planning and processes, delivers trainings and leadership development, and undertakes competency profiling. Finally, the Public Finance Management Program *'helped design and is supporting Public Financial Management and Procurement Assessments for some PRMF partner provinces'*<sup>220</sup> These examples demonstrate a commitment and follow-through on supporting cross-program engagement and coordination.

## 5 Design and evaluation of sector programs

### Evaluation question

- › Are decentralisation processes and the role of subnational government appropriately taken into account in sectoral designs and evaluations in health, education and infrastructure?

### Key findings

- › Design and evaluation documents had variable coverage of key issues concerning decentralisation and subnational roles in service delivery. Evaluation documents demonstrated greater coverage than design documents.
- › Most design and evaluations touched on, or had significant content concerning, supply-side considerations of subnational capacity and key gaps and challenges. Evaluations examined demand-side issues more strongly than did the design documents, which had limited reference to this area.
- › Designs gave limited justification of choices regarding which parts of government were chosen for engagement; choice of subnational location; or choice of modality. It is possible that these areas were considered, however, this is not reflected in the documentation.
- › Almost half the recommendations in evaluations related to some aspect of decentralisation or supply or demand side of service delivery, demonstrating these aspects are being given attention.
- › There was some mention of gender and equity concerns in designs and evaluations, though there was a lack of consideration of these concerns in relation to the capacity of subnational authorities to address them.
- › Most of the evaluations did engage at the subnational level, but more could be done to ensure that evaluations include a stronger subnational perspective (e.g. using monitoring data or field visit records).
- › The designs and evaluations from the three sectors did not demonstrate significant differences, though within the small sample, infrastructure designs tended to pay more attention to decentralisation considerations. There were variations across countries, with the Philippines consistently demonstrating deeper consideration of these issues.
- › Sector performance assessment frameworks contained some, but few, indicators and prompts that would support monitoring the factors that affect service delivery in decentralised contexts. The frameworks could be strengthened by incorporating specific indicators that are important in decentralised contexts.

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## Recommendation 1

DFAT should continue to trial new programming strategies in decentralised contexts, using the practice notes developed in this evaluation, together with mandatory program management requirements (value for money, risk, monitoring).

## Recommendation 2

The design, monitoring and evaluation of sectoral programs in decentralised contexts needs to consistently address decentralisation, for example through the following

- i a checklist of key issues for service systems in decentralised contexts
  - ii personnel with governance and local expertise to review key program documents and provide input to design and evaluation teams
  - iii management at post to ensure sufficient information on subnational perspectives is made available (through fieldwork or other sources) to program staff and evaluation teams of sectoral programs
  - iv key program documents that outline, where appropriate, the relevant issues, components and levels of partner governments.
- 

Design and evaluation are both key points in the aid program cycle when there is opportunity to bring in knowledge and learning about decentralisation to underpin effective Australian support. This chapter examines the evidence of analysis of decentralisation in sector designs (Section 5.1), evaluations (Section 5.2), and performance assessment frameworks (Section 5.3). The purpose was to assess whether there was sufficient analysis and learning regarding decentralisation and service delivery to enable informed aid choices. An additional aim was to find out whether issues of equity and coherence relating to decentralisation were sufficiently covered.

## 5.1 Evidence of analysis of decentralisation in sector designs

Design documentation was reviewed to examine the presence or absence of content related to the decentralisation context and service system implications on supply and demand sides.

The sample frame for this review included 14 design documents sourced from the six countries that are the highest recipients of Australian aid in health, education, infrastructure and governance. The sample included high-value service delivery programs (>\$10 million) implemented within the last five years across the sectors, countries and aid modalities. See Appendix 3 for details of initiatives.

Design documents gave a mixed result in terms of the sufficiency of evidence and analysis of decentralisation processes and subnational roles (Table 3). There were also differences between countries. The Philippine designs mention aspects of decentralisation and subnational government roles more than designs of the other countries, followed by Indonesia, PNG and Vietnam. The Solomon Islands and Bangladesh designs demonstrated limited coverage of these areas. Of the sectors, infrastructure initiatives had more detailed content on decentralisation and its implications. However, the sample size is small and hence no firm conclusions can be drawn on this point.

**Table 3 Evidence of analysis and learning, equity and coherence in designs**

Evaluation criteria		No content (n = 14)	Some content (n = 14)	Significant content (n = 14)
<b>Analysis and learning</b>				
Decentralisation context	Implications of decentralisation laws and policy for service delivery	6	5	3
	Unevenness in the decentralisation process (across different subnational locations)	7	6	1
Supply side/ subnational role	Subnational capacity to undertake their roles	4	8	2
	Key gaps or challenges at subnational level faced in service delivery	4	7	3
	Availability of financial resources at subnational level relative to those needed for service delivery	4	8	2
	Adequacy of management of financial resources at subnational level	6	5	3
Demand side	Mechanisms for citizens to participate in planning, management or monitoring services	7	4	3
	Quality of citizen participation in planning, management or monitoring service delivery	6	5	3
	Efforts to increase accountability or transparency of government to citizens	9	2	3
Evidence to support aid choices	Rationale for working from national or from subnational level or both, given the status of decentralisation	5	6	3
	Rationale for choice of subnational location? (Note: 3 designs are national scale so N/A)	5	5	1
	Justification for the choice of aid modality in relation to the decentralisation context	6	5	3
<b>Equity</b>				
Participation of marginalised and vulnerable groups in planning, management or monitoring delivery of services		9	4	1
Identification of specific equity outcomes		3	7	4
How the role of subnational authorities might affect equity outcomes		12	2	0
<b>Coherence</b>				
How Australian aid program governance programming supports or intersects with sectorally focused efforts		8	5	1
What is the extent of alignment to current decentralisation reform (Note: this criterion uses a different scale: not aligned/some alignment/strong alignment)		1	13	0

## The decentralisation context

Less than half the design documents mentioned the implications of decentralisation laws and policy for service delivery. Among examples of designs that did include such content was the Vietnam health resources design: *'Although much of the responsibility for human resource management, including recruitment and distribution of staff, has been decentralised to the province level, the provinces require strong support from the national level to address 'big picture' human resource issues, such as regulation, production, salaries and allowances, registration and licensing.'*<sup>221</sup> Similarly, the transport sector program in PNG acknowledged subnational roles and related challenges: *'Issues pertaining to the division of roles, responsibilities and funding between national and subnational levels of government (particularly the provinces) also remain to be resolved.'*<sup>222</sup>

The unevenness of decentralisation processes across different subnational locations reflects that it may not be an important issue for all designs, hence it is reasonable that about half the design documents included this content. Some design documents discussed this issue and its implications for service delivery. For example, the Indonesian education design notes that *'uneven subnational governance standards have created an incentive for [the education ministry] to bypass the district in implementing major programs by delivering funds directly to schools.'*<sup>223</sup> Other design documents described variations in administrative capacity between subnational locations and the implications of this for the design. For example, the Indonesian health design mentions *'the current situation in regards to achievement against target levels varies considerably among the provinces of focus. The program will determine the timeframe for the achievement of the targets for each province (and district), wherever possible, within the target timeframe of the national strategy.'*<sup>224</sup>

## Supply side of service delivery at the subnational level

The majority of designs contained some consideration of supply-side aspects of service delivery at the subnational level. However, only a few designs had significant content and analysis of this area. Some design documents discussed capacity constraints and how the initiative would respond to them. For example, the Philippines education program for Muslim and indigenous people noted that *'the plan to decentralise the delivery of basic services in the Philippines means that heavy financial burdens and decision-making now rest with the local government units.'*<sup>225</sup> It also noted that *'a variety of capacity development initiatives could be supported, including skills training, information sharing and planning workshops, and/or systems review and development initiatives.'*<sup>226</sup> Similarly, the Vietnam health human resources program discussed the lack of capacity at the local level: *'There are insufficient medical specialists, nurses, college-trained pharmacists, public health workers, and specialist managers, particularly for hospitals and in the poor and remote areas with the greatest needs.'*<sup>227</sup>

Most designs that discuss subnational financial resources noted the lack of resources for services. For example, the Philippines provincial roads program described *'the amount of Government of Philippines budget at the national and provincial level to rehabilitate and maintain these roads is extremely limited.'*<sup>228</sup> The Indonesian education program design found that the *'decentralisation framework and [finance management] system for the education sector needs better alignment of authority, capacity and resources.'*<sup>229</sup> and discussed challenges at the district level: *'80 per cent of funds ... [are] allocated to salaries [resulting in] limited funds for operational funding.'*<sup>230</sup> Designs also mentioned different forms of financing: *'Hospital financing is currently supply-driven, based primarily on staff levels and numbers of beds, which encourages overuse and inefficiency. The use of per-case payment methods (supported by 'care pathways') offers a promising alternative to current payment methods.'*<sup>231</sup>

Those designs that mentioned financial management at the subnational level mostly reported problems in this area. For example, the education program in Mindanao in the Philippines noted that *'last year, an assessment of the [Department of Education's] financial system indicated inefficiencies and ineffectiveness in the department's budget allocation and spending as a consequence of poor budget planning, preparation and execution.'*<sup>232</sup> The Solomon Islands health program discussed the need for analysis of financial management at both central and provincial levels: *'As part of efforts to improve budget preparation and execution, the Ministry of Health has requested a functional analysis of the finance team—both in headquarters and in the provinces. This analysis is needed to improve the efficiency of the team.'*<sup>233</sup>



Village facilitators describe the community complaints mechanism concerning maternal and neonatal health developed through a DFAT program between communities and the hospital, Timor Tengah Utara, Nusa Tenggara Timur, Indonesia. *Photo: DFAT*

### Demand side of service delivery

Analysis of the demand side of service delivery was generally not a feature of design documents. In around half of the designs it was not mentioned at all. Those designs with strongest mention of civil society involved some use of an NGO implementing partner. Where mechanisms for participation were mentioned, it was in relation to involvement in planning (e.g. in the Philippines' road program), management (e.g. in community-run schools through an NGO program in Bangladesh) and monitoring (e.g. in an Indonesian rural water supply program and an Indonesian education program). For example, the Bangladesh NGO education design mentions that *'it [tripartite cooperation between government, NGO and community] also works to improve the abilities and effectiveness of school management committees and to increase community participation in primary education.'*<sup>234</sup>

Quality of participation relates to the ability of civil society to self-organise and have a voice. The education program in Mindanao in the Philippines reported that *'the community members will be the*

*strongest ally of the implementing NGOs in ensuring continuity of activities despite the conflict situations. The acceptability of the local NGO and the learning facilitator with the community are vital to the project's success and will be an important consideration.'*<sup>235</sup>

Efforts to increase accountability or transparency of service providers or government were rarely mentioned. Where they were, it was usually in relation to community monitoring of construction or implementation. For example, the Indonesian water supply project mentioned innovative methods to assist community monitoring: *'An open mobile telephone text line and the project website have encouraged self-monitoring by the community implementation groups and other project stakeholders.'*<sup>236</sup> The education design from Indonesia also discussed the use of forums to assist communities to monitor school construction: *'Holding forums so village representatives are able to understand the construction procedure and monitor any non-compliant practices.'*<sup>237</sup>

### Aid choices concerning partner engagement and location

Design documents were mixed in terms of mentioning a rationale for working from national or subnational levels or both. Almost half of the designs gave some, but limited, explanation of their rationale and a few provided a detailed rationale. The health resources program in Vietnam gave a limited explanation of its rationale. For example, it mentions that *'the project loan supports a set of linked and coordinated actions that are closely aligned with the policy actions and are designed to support their implementation at national and subnational levels'* and *'it will also support the establishment and operation of the health professional registration system at the provincial and national level.'*<sup>238</sup>

Where initiatives were targeted to particular subnational locations, design documents did not necessarily present a robust analysis or reasons for their choice of subnational location. For example, the Solomon Islands education program design mentions two subnational locations but gives no details or rationale for their choice.<sup>239</sup> There may be cases where subnational location is determined and described in other program documentation.

Some designs did provide explanations, with reasons such as poverty targeting or complementarity (or in some cases alignment) with other Australian aid (or other donor) programs. For example, the Philippines Mindanao education program explains that *'there is an urgency to address poverty which is most chronic in autonomous region Mindanao because it impacts on economic growth, social stability and peace in the region ... [the Australian aid program education resource facility] study on conflict and fragile states recommended long-term reforms to improve the relevance and quality of education and targeting the most vulnerable.'*<sup>240</sup>

Most program designs did not provide a justification for their aid modality. In some cases, there was some justification. These included quantum of funding (Vietnam health resources design), the cost-effectiveness of the chosen approach (the Philippines education program in Mindanao), and use of direct budget support (Vietnam health delivery program in Vietnam, but through use of a project management unit). Some initiatives at the subnational level justified the use of a managing contractor as implementing partner because this approach allows use of government systems. For example, the health program in Indonesia notes that *'the program mode of delivery uses government systems, and has the potential to achieve sustainable improvements in those systems. This approach is also consistent with the decentralisation of Gol [Indonesian Government] and with AusAID policy and the Paris Declaration on harmonisation among donors.'*<sup>241</sup>

An example of a design that gave detailed justification of its 'facility' modality was the Philippines provincial roads program. This design notes that *'the design team designates the PRMF as a facility*

that requires the development of both project and program management skills at the provincial level.’<sup>242</sup> The design also provides a detailed explanation for why a facility modality will address the required needs at the subnational level. The health design in Bangladesh also discusses their chosen approach in relation to decentralisation dynamics: *‘Furthermore, active pursuit of decentralisation by the current government aims at a more efficient and appropriate use of resources. Connecting the lines between commitment, decentralisation and systems development, [Australia] is considering pooling funds with other development partners for the [program].’*<sup>243</sup>

## Equity in service delivery

The majority of design documents included some mention of the participation of marginalised and vulnerable groups in planning, management or monitoring service delivery. Often, design documents included broad-brush statements about adhering to gender policy directions or about access of certain groups to different services, but without consideration of their influence on service delivery. Some designs did consider this issue, though the examples relate mostly to women as a vulnerable group rather than other vulnerable groups (e.g. people with a disability). For example, the Philippines roads program mentions that *‘the involvement of the community in the priority setting planning process is apt to result in different results if there is a conscious effort to include women in planning the activity.’*<sup>244</sup>

A few designs provided detailed strategies to ensure the involvement of all groups and address gender equity concerns in service provision. For example, an education program for Muslim and indigenous people in the Philippines notes that *‘the Program design has a specific focus on ensuring equity. Gender and disability awareness must go well beyond simply detailing data. Specific program activities will be designed to meet and remove obstacles to a universally inclusive education.’*<sup>245</sup> Further, this design provides concrete strategies for involving minority groups.<sup>35</sup>

The majority of designs at least touched on specific equity outcomes. For example, the Vietnamese health program notes that *‘women and adolescent girls in poor, remote, and ethnic minority communities are particularly affected by the limited access to quality health services. Design measures are included to promote improved access and equity, and targets are set for training of female health workers and provision of scholarships in all training programs.’*<sup>246</sup>

The area for which there was least consideration was how the subnational role of government might influence equity outcomes. Most designs made no mention of this area. The provincial roads program in the Philippines does mention this issue, and describes the importance of good governance to achieve equitable outcomes: *‘Good governance is also part of [the initiative]. It embodies the principles of participation, transparency, and accountability which must be applied by executive planners and decision-makers throughout each stage of the project cycle if there is to be equitable and sustainable development.’*<sup>247</sup> The water and sanitation design in Indonesia mentioned efforts to ensure government officers are gender aware: *‘Efforts will be made to ensure that equal opportunity is given to both women and men and the disabled to participate in capacity-building activities ... ensuring that government officers are gender aware in their interface with the community and that women and men in the community, including those from minority and disadvantaged groups, are given equal opportunity to engage in activities.’*<sup>248</sup>

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<sup>35</sup> *‘Gender issues remain to be embedded in the initiatives of the TWG which are: (1) gender equality at the implementation level; (2) gender concerns in the reform process and monitoring; (3) the effectiveness in promoting gendered equitable access and quality basic education to Muslims and IPs in remote areas; (4) who is the responsible person identified to facilitate and monitor process of gender mainstreaming; (5) the efficacy in budgeting for access and quality with focus on pro-poor budgeting whereby gender concerns are taken into consideration.’; (p15).*

## Coherence within aid programming and with decentralisation processes

The majority of designs demonstrated broad alignment with the direction of decentralisation in the relevant country and sector, and no initiatives were working in a contrary direction. In general, designs did not make mention of their relationship to any governance initiatives with which the initiative might usefully intersect. Exceptions included the PNG transport program, which strongly mentioned the subnational strategy and sought to ensure alignment to this broader effort at governance reform, though it later narrowed its focus to national roads and hence this was not followed through. An Indonesian education program also presents a table with related governance efforts, though it does not discuss how links might be made.

## 5.2 Evidence of analysis of decentralisation in sector evaluations

Ten evaluation documents were sourced from the six countries based on the same criteria mentioned earlier for designs. See Appendix 3 for details of initiatives. These were reviewed to examine content related to the decentralisation context and service delivery implications for both the supply and demand sides.

Evaluation documents had variable amounts of evidence and analysis of decentralisation processes and the role of subnational government. In general, the evaluations were judged to be slightly better than designs in relation to their content and analysis concerning the supply side of service delivery and subnational roles (Table 4). In general, evaluation methodologies allowed for some subnational engagement, but more could be done to ensure that evaluations include a stronger subnational perspective (through secondary data from monitoring or field engagement).

The kinds of differences across the six countries did not follow the same pattern as the designs. Evaluations from Indonesia and the Philippines had the greatest content concerning decentralisation and service delivery. Following these were evaluations from the Solomon Islands, and those from Vietnam and Bangladesh had much less such content. The three sectors did not show any major differences.

### Analysis and learning concerning decentralised context

Evaluations made little mention of the implications of decentralisation laws and policy for service delivery or of unevenness in the decentralisation process (across different subnational locations).

The analysis of **supply-side** service delivery issues at the subnational level were better covered in evaluations than in designs. Close to half the evaluations contained significant content on subnational capacity and on challenges faced at subnational level. Several evaluations included detailed discussions of institutional capacity at local, provincial (or regional) and national levels and particular strengths and weaknesses that needed to be addressed. For example, the evaluation of an education program in east Indonesia notes that *'field visits support the conclusion that: Any interventions that involve development at a school level should also include interaction and provision of capacity building to key personnel at the district level. Districts occupy a pivotal position between national policy makers, the provinces and service deliverers.'*<sup>249</sup> Similarly, evaluation of a large-scale water and sanitation service delivery program in Indonesia critiques the initiative for *'lack of sufficient support in building capacity of subnational agencies responsible for service delivery and sector monitoring.'*<sup>250</sup>

**Table 4 Evidence of analysis and learning, equity and coherence in evaluations**

Evaluation criteria		Absent (n = 14)	Some reference (n = 14)	Significant content (n = 14)
<b>Analysis and learning</b>				
Decentralisation context	Implications of decentralisation laws and policy for service delivery	7	3	1
	Unevenness in the decentralisation process (across different subnational locations)	6	4	1
Supply side/ subnational role	Subnational capacity to undertake their roles	2	3	6
	Key gaps or challenges at subnational level faced in service delivery	1	5	5
	Availability of financial resources at subnational level relative to those needed for service delivery	2	6	3
	Adequacy of management of financial resources at subnational level	4	4	3
Demand side	Mechanisms for citizens to participate in planning, management or monitoring services	2	5	4
	Quality of citizen participation in planning, management or monitoring service delivery	2	6	3
	Efforts to increase accountability or transparency of government to citizens	2	7	2
<b>Equity</b>				
Participation of marginalised and vulnerable groups in planning, management or monitoring delivery of services		2	7	2
Identification of specific equity outcomes		1	6	4
How the role of subnational authorities might affect equity outcomes		8	2	1
<b>Coherence</b>				
How Australian aid program governance programming supports or intersects with sectorally focused efforts		7	3	1
The extent of alignment to current decentralisation reform [Note: this criterion uses a different scale: not aligned/some alignment/strong alignment]		1	6	4

The **demand side** was also covered in more detail in evaluations than in designs, with almost all evaluations discussing this aspect of service delivery. It was sometimes commented that the demand side had not been sufficiently addressed. For example, the Philippines provincial road evaluations said that ‘*none of the civil society organisations who met with the team was able to identify instances where their knowledge and expertise were drawn upon specifically for their province.*’<sup>251</sup> A positive example of progress on the demand side was evident in the education program evaluation in Eastern

Indonesia, which reported *'growing community ownership of the governance of their schools; highly skilled local school-based management training teams in three districts, totalling approximately 80 trainers; steady improvement in the number of women on school committees, and in their effective participation in the committees' decision-making.*'<sup>252</sup>

## Equity in service delivery

Evaluations mostly mentioned marginalised groups and women as beneficiaries of programs rather than discussing their role in planning, management or monitoring service delivery. Most evaluations discussed gender dimensions of the program, however, references to specific other groups were more unusual. One example occurs in the evaluation of the water infrastructure program in Vietnam: *'[The] project included a number of targeting mechanisms to increase the participation and benefits going to poor urban residents and vulnerable groups.'*<sup>253</sup> Lastly, links between subnational authority attitudes and equity were rarely mentioned. Such a link was mentioned in the Philippines education evaluation: *'The DepEd is reported as having an 'inconsistent' record in mainstreaming gender. This appears to result from limited understanding among the current DepEd senior management of gender mainstreaming and of the nature of a gender-aware organisation, the lack of a definitive and well-institutionalised gender and development policy and a lack of direction in gender budget initiatives for the department.'*<sup>254</sup>

## Coherence within aid programming and in decentralisation processes

Most evaluations mentioned alignment to decentralisation processes, with most demonstrating some alignment and several describing strong alignment to decentralisation processes.

Evaluations generally did not address questions of how sector programs were intersecting with governance initiatives. When this issue was mentioned, it was either to provide evidence of some level of engagement, or to recommend engagement as a means of improving complementarity. For example, an education evaluation in east Indonesia noted that *'there was some coordination with other AusAID activities (e.g. IAPBE, Australia-Nusa Tenggara Assistance for Regional Autonomy [ANTARA])'*<sup>255</sup> and ... *[also] discussions with ANTARA to determine the most effective way for this facility to support dissemination of the benefits achieved in the partnership.'*<sup>256</sup>

In contrast, Indonesian water and sanitation infrastructure program evaluation noted:

*'AusAID's decentralisation program includes an office in Kupang, however there is no systematic interaction (that we heard of) between this program and programs ... which are working with subnational government and communities on service delivery (including in eastern Indonesia). There is therefore opportunity to explore how the decentralisation program might inform or support WASH programming focused at subnational level. Equally, AusAID's experiences in the WASH sector might usefully serve to inform areas being addressed in the decentralisation program.'*<sup>257</sup>

The Philippines roads evaluation pointed to their strong emphasis on this area: *'This lesson strongly supports a cross-sectoral model for AusAID programming that links governance interventions to those of a sectoral nature, such as the approach piloted [here].'*<sup>258</sup>

## Evaluation design

The design and methods in the majority of sector evaluations allowed for some engagement at subnational levels, however the time allocated to empirical work in evaluations is generally small. It

was not always possible to ascertain the diversity of stakeholders consulted in the evaluations. Given the limited time and resources allocated to most initiative evaluations it is unlikely that a full range of stakeholders at the national and subnational levels (e.g. central agencies, elected representatives etc.) were consulted.

The orientation of evaluations is often dependent on the skill set of the evaluation team (e.g. they may have a background in sectoral work, governance or evaluation) and on the direction laid out in evaluation terms of reference. It is useful to examine evaluation recommendations to see what importance is given to working to support partner systems and to governance-related service delivery issues. Among the recommendations, close to 40 per cent (ranging from 7–71 per cent) related to an action to address some aspect of decentralisation or governance in relation to supply or demand side of service systems. Examples include recommendations to:

- › have a focal point at the provincial level (Vietnam health evaluation)
- › increase support to local government through: bottom-up planning, links to political economy and prioritisation of water and sanitation, and analysis of ongoing operation, maintenance and replacement costs of infrastructure (large-scale rural water and sanitation program in Indonesia)
- › encourage provincial actors to develop infrastructure policies that define provincial responsibilities for oversight of new school infrastructure (PNG education program)
- › better address systemic issues facing the education sector (Bangladesh education program)
- › continue mixed-budget financing for infrastructure with construction works funded from provincial budgets and technical assistance from Australian assistance.

### 5.3 Performance assessment frameworks

Sector performance assessment frameworks support sector planning and design. They each include a generic ‘theory of change’ concerning the relevant sector with related outputs, outcomes and impacts. Five frameworks were reviewed to assess the presence or absence of indicators and advice that would support monitoring services in decentralised contexts. The coverage of these issues was fairly limited.

All of the frameworks could be strengthened by incorporating specific indicators that are important in decentralised contexts, for example the balance of engagement at national and subnational levels.

**Health:** The health framework proposes a theory of change to ‘*build and sustain fully-financed, equitable, accessible health systems.*’ It does not make reference to different levels of government that may have responsibility for health. Several of the indicators (e.g. government expenditure on health as a percentage of total expenditure) could feasibly be employed at the subnational level, but there are no prompts to do so. The framework mentions civil society in its theory of change and includes the outcome that ‘*poor and vulnerable people are empowered to improve their health.*’ Its focus is on reducing barriers to access health services, but it does not deal with the demand side of service delivery or with citizens’ roles in planning or monitoring services and holding governments to account.

**Education:** The education framework documentation makes passing reference to decentralised contexts as presenting challenges in quality service provision, and notes that the indicators can also be used at the subnational level. One indicator focuses on pro-poor priorities through exerting an influence on ‘political institutions.’ This influence might include encouragement to implement decentralisation reform. The related guidance proposes effective management of schools as part of decentralised service delivery and argues that accountability for their performance can be achieved

through *'effective school committees or mechanisms for public scrutiny.'* This is reflected in one of the indicators, though the indicator is not well defined.

**WASH:** The theory of change in the WASH framework refers broadly to sustainability in service delivery and strengthening governance arrangements and capacity, but without explicit reference to decentralisation. It includes a number of indicators that support effective service delivery in decentralised contexts, such as an indicator of financial sustainability and equitable conduct of service providers. On the demand side, there are indicators concerning *'complaint and response mechanisms'* and the proportions of women on committees. Indicators for monitoring the sustainability of services are also included.

**Infrastructure:** The theory of change for infrastructure support is strongly focused on the capacity of institutional actors to plan, implement, maintain and govern infrastructure works. It does not refer to decentralisation. However, the indicators, as for others, can be used at the subnational level. For example, there is mention of a national recurrent budget for road maintenance, which in decentralised contexts should also be considered at the subnational level. There are also indicators of additional numbers of local contractors executing public works and additional person-days generated for labour-based maintenance, which demonstrates a focus on local service provision. There is no representation of demand-side issues in the framework.

**Governance:** The governance framework includes a wide range of supply-side and demand-side outcomes that are important for service delivery in decentralised contexts. The governance framework mentions that its indicators can be used at the subnational level. There is also some explicit mention of areas of decentralisation that directly affect service delivery, for example in the area of better public sector and financial management there is an output of *'greater transparency of national to subnational fiscal relations and more timely and reliable transfer of financial resources.'*

## 6 Strategy for service delivery

### Evaluation question

- › Are decentralisation processes and the role of subnational government in service delivery appropriately taken into account in Australian aid policy and strategy?

### Key findings

- › Health, education, infrastructure and governance thematic strategies had limited content related to decentralisation issues as they relate to service systems.
- › Country strategies (now known as aid investment plans) for Indonesia, Papua New Guinea (PNG) and the Philippines provided sufficient analysis of the decentralised context. Country strategies for Solomon Islands, Vietnam and Bangladesh included limited and at times inadequate discussion of subnational roles or decentralisation, particularly the case of Vietnam.
- › Policy guidance for preparing strategy documents does not contain adequate detail or prompts to consider decentralisation. The phrase ‘partner government’ does not usually mean (implicitly or explicitly) the full range of sector agencies and subnational levels that comprise a government system. There were no prompts to consider different levels of partner government systems.
- › Delivery strategies (now known as sector investment plans) had an appropriate level of analysis of decentralisation, although only a limited number were reviewed. Delivery strategies have the potential to play a stronger role in guiding programming. Delivery strategies are the appropriate level to analyse decentralisation and the role of subnational government and identify strategic and complementary entry points for aid and the best type of aid.

### Recommendation 3

As DFAT updates key strategy and guidance documents, decentralisation and subnational roles should be considered and staff referred to relevant resources, including the practice notes developed in this evaluation. In particular, DFAT should expand the ‘working in partner systems’ guidance and assessment tools beyond public financial management and risk management concerns, to include broader public sector capabilities such as human resources, monitoring and evaluation and sector-specific technical expertise.

This chapter reviews key strategy documents that support service delivery in decentralised contexts, using the criteria of analysis and learning, equity and coherence. This chapter also considers staff perspectives on how these documents are used in practice. Documents included:

- › thematic strategies (health, education, water, sanitation and hygiene (WASH), infrastructure and governance; Section 6.1)
- › country program strategies (Indonesia, PNG, Philippines, Solomon Islands, Vietnam and Bangladesh; Section 6.2)
- › sector delivery strategies (PNG health and education; Section 6.3).

Policy and guidelines on strategy development were also reviewed.

## 6.1 Review of thematic strategies

Thematic strategies do not consistently address issues related to service delivery in decentralised contexts and subnational roles (Table 5). While such strategies are high-level documents and detailed coverage of these issues was not expected, some reference to important dimensions of decentralisation for service systems is appropriate.

### Analysis and learning in health, education and infrastructure strategies

This section presents findings against five main areas with respect to analysis and learning related to the context, the supply and demand sides of service delivery, guidance on working in decentralised contexts, and strength of the evidence.

**Decentralisation context:** The education, WASH and infrastructure strategies all made some reference to the implications of decentralisation for service delivery. An example in the WASH strategy is the explicit reference to how support should be tailored as a result of decentralisation: *'There will be a focus on building capacity, cost recovery and water safety planning at local government levels, recognising the trend of national governments to decentralise service delivery.'*<sup>259</sup> The third pillar of the WASH strategy is specifically aimed at 'creating sustainable services.' Such measures are described as *'support policies and strategies that keep services operating after they are built. This includes better governance through public sector reform and improving service delivery through partnerships with civil society and the private sector.'*<sup>260</sup>

**Supply side:** The infrastructure strategy was strongest in discussing supply-side issues of service delivery in decentralised contexts. This strategy referred to subnational capacity and financial resources, for example, *'many developing countries do not have the institutional capacity, experience and expertise at all levels of government to develop infrastructure policies and mobilise the funds required to build and maintain their infrastructure assets.'*<sup>261</sup>

The other strategies paid less attention to supply-side issues, although they are mentioned in education and WASH. For example, the education strategy notes that *'decentralised responsibilities for schools can make it difficult to scale up effective models of school management.'*<sup>262</sup> The WASH strategy describes issues concerning financial management and suggests ways to address these: *'In many cases the resources allocated for WASH infrastructure need to be used more efficiently and align with investments by partner governments, private sector and other donors to deliver real results. This can be done incrementally by better understanding how to promote policy reform and address governance issues around public financial management and procurement.'*<sup>263</sup>

**Demand side:** All strategies provided guidance on the demand-side elements of service delivery. Mechanisms for participation of citizens and marginalised groups in planning, management or monitoring of services were often mentioned. For example, the health strategy notes that *'Australia will provide targeted funding to civil society and advocacy groups to enable them to demand quality health services on behalf of the communities they represent, be active partners in their health and hold authorities accountable for the quality and accessibility of services.'*<sup>264</sup> However, as evidenced in Chapters 4, 5 and 6, we did not find that this commitment flowed through consistently in sectoral design and implementation.

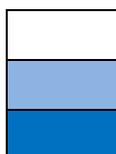
**Table 5 Review of thematic strategies**

		Health	Education	WASH	Infrastructure	Governance
<b>Analysis and learning</b>						
Contexts	Implications of decentralisation laws and policy for service delivery					
Supply side/ Subnational role	Subnational role or capacity					
	Key gaps or challenges at subnational level faced in service delivery					
	Availability of financial resources at subnational level relative to those needed for service delivery					
	Adequacy of management of financial resources at subnational level					
Demand side	Mechanisms for citizens to participate in planning, management or monitoring delivery of services					
	Efforts to increase accountability or transparency of government to citizens					
Guidance	Specific objectives or outcomes specified that focus on subnational institutional capacity development					
	Description of how the aid program will work with subnational governments					
<b>Evidence base</b>						
Evidence and literature on subnational roles in service delivery – use of previous program experience						
Evidence and literature on subnational roles in service delivery - use of grey/academic literature						
<b>Equity</b>						
Participation of marginalised and vulnerable groups in planning, management and/or monitoring service delivery						
<b>Coherence</b>						
Articulation of how governance features within efforts in this sector						

No content

Some content

Significant content



**Guidance on ways of working:** In relation to working at subnational levels and capacity development, the WASH strategy referred to these areas in terms of approaches to support local-level government, private sector and community management systems. The strategy also provided some guidance on ways of working at the local level, for example, *'using results-based payments which are effective in mobilising local capacity is one way of improving aid effectiveness.'*<sup>265</sup> The infrastructure strategy comments on the use of result-based approaches: *'This includes strengthening the organisations responsible for delivering services, and building in ways to increase community participation, deal with customer problems, ensure user charges are appropriate and sustainable (for example, using results-based aid approaches) and make sure poor people have access.'*<sup>266</sup> The education and health strategies did not include similar guidance.

**Evidence:** Most thematic strategies drew on previous program experience and literature (published and unpublished) concerning subnational roles in service delivery, often in the form of examples.

### Equity in health, education and infrastructure strategies

Equity issues were addressed in all strategies (and done well in WASH), in terms of targeting, rather than in terms of how marginalised groups participate in planning, management or monitoring. For example, the education strategy observes that *'communities that live in the outer islands and mountainous areas have lower participation rates'*<sup>267</sup> and refers to *'targeting the participation of girls.'*<sup>268</sup> The WASH strategy mentioned participation of marginalised groups in the service delivery: *'Civil society, including women's groups and groups of people with a disability, plays a key role in ensuring transparency and accountability of government service delivery and can catalyse change in government policy so it includes and responds to development ... We will also enable the participation and meaningful consultation of children and young people (including children with disabilities).'*<sup>269</sup>

### Coherence in health, education and infrastructure strategies

All four strategies have a governance focus. The education strategy has a pillar devoted to better governance and the health strategy states that *'Australia will also support improved governance, including in public financial management, to ensure adequate budgetary allocations for health.'*<sup>270</sup> The WASH strategy notes that governance is a cross-cutting issue: *'The Australian Government is committed to ensuring the cross-cutting themes of gender equality and improved governance continue to underpin its investment in WASH.'*<sup>271</sup> However, no strategies provide guidance on how to achieve coherence and complementarity between governance and other sector programs.

### Review of governance thematic strategy

We reviewed the extent to which this strategy provides guidance to other sectoral areas in terms of their response to decentralised contexts. We found that although one of the three pillars in the governance strategy focuses on enhancing service delivery,<sup>36</sup> the document contained limited guidance concerning decentralised contexts.

In the governance strategy, the discussion on the supply side of service delivery is limited to generic guidance for *'sound analysis of the political and institutional context'*<sup>272</sup> and seeking *'strong public sector and sound public financial management.'*<sup>273</sup> It makes limited mention of subnational roles, and no mention of key gaps and challenges in service delivery or subnational financial resources. It also does not mention how the aid program would work with subnational levels of government. The

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<sup>36</sup> Pillar 1a: Delivering better services through improved government efficiency and effectiveness and Pillar 1b: Delivering services through more accountable, open and responsive governments; Australian Agency for International Development, *Effective governance thematic strategy*, AusAID, Canberra, 2011.

governance strategy could be expected to provide more detailed guidance around the challenges that are typically faced in decentralised contexts (see Section 1.2). By contrast, it provides a much more detailed coverage of the demand side of service delivery at the local level, and of ways to address this, including equity considerations. For example, it mentions *‘social accountability and improving relationships between the state and society, as well as governing in a socially inclusive way, to respond to the needs of all members of society.’*<sup>274</sup>

With respect to coherence, the strategy refers to coordination and to governance as ‘cross-cutting’ but does not discuss how governance and sector programs might be expected to engage with one another on service delivery. The strategy proposes a focus on analysis and learning, including the use of political, social and political economy analysis. Links between governance and service delivery are expected to inform sector strategy and programming. There is no clear guidance, however, on mechanisms to ensure such learning is transferred and translated into other sector areas.

### Guidance for preparation of thematic strategies

There appears to be no specific guidance to underpin preparation of thematic strategies. Such guidance could include general governance considerations related to decentralisation and subnational roles in supporting sustainable service delivery, as well as prompts regarding specific sectoral considerations. Such guidance could also cover thematic performance assessment frameworks. This would help to ensure consistent terminology and approaches, as well as appropriate cross-referencing between documents.

## 6.2 Review of country program strategies

We found an uneven coverage of decentralisation processes in the six country program strategies (summarised in Table 6, see Appendix 3 for detailed analysis). We reviewed the strategies in light of the status of the decentralisation process in each country, which in some cases explains the absence or limited discussion of decentralisation issues. Strategy documents for the three countries where decentralisation is well progressed (Indonesia, PNG and the Philippines) all describe the role of subnational authorities and decentralisation processes as key considerations.<sup>37</sup> The documents for the three other countries contained limited consideration of these areas. This may be justifiable for Solomon Islands and Bangladesh given their status of decentralisation, but it is questionable for Vietnam, where decentralisation is further progressed.

The ‘working in partner systems’ guidelines were *‘written to complement the new country strategy architecture’* and are mostly focused on public financial management. They define ‘partner systems’ in terms of financial and budgetary systems. So, while these guidelines do mention subnational government, they are primarily concerned with fiduciary risk. They do not prompt consideration of how to address the variety of aid choices that are available in decentralised contexts (e.g. balance of engagement with different parts of partner governments at different levels, choice of subnational location, modalities that support responsiveness).

Internal guidelines on political economy analysis recognise the political nature of governance with both formal and informal systems and processes influencing government. This guidance promotes an ‘understanding of local political economy’, ‘macro level analysis’ and ‘sector and issue specific analysis’ and is useful in prompting consideration of issues important in decentralised contexts.

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<sup>37</sup> However, the nature of PNG documents (Partnership agreement and accompanying schedules) limits analysis.

**Table 6 Service delivery roles and review of country strategies**

Country	Subnational roles in service delivery	Evidence of decentralisation and subnational roles in country strategy documents
Indonesia	Provincial and local governments responsible for service delivery (Devolution)	<ul style="list-style-type: none"> <li>› Good coverage of decentralisation—provides analysis of decentralised context, challenges faced at subnational level.</li> <li>› Commits to work with select provincial and local governments to enhance capacity and public financial management, and to dedicate resources to increase knowledge of the context.</li> </ul>
PNG	Provincial and local governments primarily responsible for delivery of most public services, including provincial health authorities in some provinces (Devolution)	<ul style="list-style-type: none"> <li>› Partnership agreement and accompanying schedules have limited reference to subnational roles in service delivery.<sup>38</sup></li> <li>› Health schedule commits to support subnational capacity, education schedule does not, but describes role of different levels of government.</li> </ul>
Philippines	Services in healthcare, social services, public works, education, and housing devolved to local level (Devolution)	<ul style="list-style-type: none"> <li>› Detailed coverage of decentralisation and role of subnational government in service delivery. Notes specific problems with current decentralised service delivery.</li> <li>› Commits support to address two of these major problems, funding at local level and accountability for performance.</li> </ul>
Vietnam	Education, health and social welfare provided by provincial and local governments. Devolving authority and resources resisted (Deconcentration)	<ul style="list-style-type: none"> <li>› Limited mention of decentralisation or subnational roles.</li> <li>› Governance is a cross-cutting theme for sector areas, but there is no analysis or discussion of capacity, authority or financial management at subnational levels.</li> </ul>
Solomon Islands	Most service delivery responsibility of central government due to lack of provincial capacity (Political decentralisation without devolution of authority and function)	<ul style="list-style-type: none"> <li>› No mention of subnational contexts, nor the role of provincial governments in development programs (Partnership agreement rather than a country strategy)</li> <li>› Subsequent schedules for priority outcomes not yet prepared.</li> </ul>
Bangladesh	Local government currently plays a limited role in service delivery, particularly in health and education (Deconcentration)	<ul style="list-style-type: none"> <li>› Limited mention or analysis of decentralisation or the role of subnational authorities.</li> <li>› Commits to support service delivery through civil society partners without description of how this relates to role of local authorities.</li> </ul>

### Use of country strategies

Program staff in all three fieldwork countries referred to their country strategy documents.<sup>39</sup> In the Philippines program, staff reported that the country strategy was influenced by a ‘*huge body of research*’ and was supported by baselines and performance frameworks. The strategy is to be integrated into all programs and staff reported ‘*everyone has bought into it.*’ Program staff saw their work as consistent with or supporting the country strategy. In relation to the Philippines education program, program staff said both country and delivery strategies were ‘*keeping people on track.*’ The Philippines staff clearly demonstrated the valuable role that country strategies can play in setting directions and coordinating activities. At the same time, one interviewee acknowledged that the

<sup>38</sup> The previous country program strategy 2006–10 contained clear recognition of the decentralised system of government with a pillar devoted to improved service delivery and stability, including strengthening decentralised service delivery.

<sup>39</sup> In PNG, this was a little unclear, and this is probably due to the status of the country strategy and partnership agreement.

country strategy also needed to retrofit existing programs.<sup>40</sup> While there may be some limitations regarding accommodation of existing programs, as well as political uncertainty, it is critical that a current analysis of the decentralised context informs the country strategy.

### 6.3 Review of sector delivery strategies

Delivery strategies have been used to define and organise the aid investments necessary to implement higher levels plans.<sup>275</sup> The evaluation found there is a significant opportunity to articulate decentralisation processes and implications in sector investments plans, which have superseded delivery strategies.<sup>41</sup> This is because such plans are at the appropriate level to provide more detail about choosing entry points and complementary programming across initiatives. The *Sector investment plans: working in decentralised systems practice note* draws on the findings of this evaluation to provide practical assistance on how to take decentralisation into account.

#### Coverage of decentralisation issues and subnational roles

We reviewed two current delivery strategies from PNG: the Australia–PNG Health Delivery Strategy and the Australian Support for Basic and Secondary Education. Both include some analysis of decentralisation and the role of subnational government. The education delivery strategy contains a more detailed analysis than the health strategy.<sup>42</sup>

Neither strategy provides a detailed assessment of supply-side subnational capacity to undertake their prescribed roles in service delivery. The education strategy discusses the need to make better use of government systems and work more closely with provincial administrations. The education strategy analyses sources and the adequacy of funds compared to service delivery needs, but the health strategy does not. However, the health strategy commits to channelling funds to the subnational level based on the assessment that the transfer of funds from the national level is insufficient. Coverage of the demand side of service delivery was very limited. In terms of coherence, both delivery strategies mentioned governance programs and the health delivery strategy mentions use of program staff at the subnational level but did not include mechanisms to improve coordination and coherence.

#### Policy guidance for preparation of delivery strategies

The guidance for preparing delivery strategies does not include explicit prompts to consider subnational government or decentralisation. The guideline does imply that partner government extends beyond the national government with reference to '*various parts of government*.'<sup>276</sup> However, the guidance does not address the competing interests and agendas of different parts of government.

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<sup>40</sup> An internal review of the aid architecture found that sequencing can be a challenge and there '*has been a tendency for some strategies to justify existing investments rather than guiding future decisions*.' It is argued that strategies can '*acknowledge the programming that is already fixed, while outlining where new spending will be targeted*.' Further, they argue that programs need to implement the architecture ASAP and have strategies in place before making new investment decisions; Australian Agency for International Development, Rapid assessment of AusAID's strategic programming architecture (unpublished), AusAID, Canberra, 2013.

<sup>42</sup> However, the health strategy did discuss issues within health service delivery that are primarily the result of the decentralisation.

## Use of delivery strategies

The development of delivery strategies was under way in all three countries. They were referred to more routinely in the Philippines where they were talked about in connection to the country strategy and in relation to new program designs. For example, the preparation of the Philippines education delivery strategy was informed by the education thematic strategy and the education thematic group. We found that the delivery strategies were seen to help with the recruitment of the right mix of staff, selection of partners, analysis, resources and program decisions.

In PNG, program staff saw developing the governance delivery strategy as an important process for setting a more strategic direction and as a means of responding to partner government changes and reviews of the governance program. Program staff expected this document to flow on to the next country strategy and to other programs *'to provide guidance for governance and [Australian aid program] strategy going forward.'* There were no explicit delivery strategy examples for Indonesia.

# 7 Organisational support

## Evaluation question

- › Are sectoral staff sufficiently supported organisationally to take decentralisation into account in sectoral programming?
- › What is the level of interaction between sectoral service delivery support and governance support and how could such interaction be optimised to best support service delivery outcomes in decentralised contexts?

## Key findings

- › Establishing and maintaining a degree of coherence across the Australian aid program, as well as alignment with national and local-level government, depends on a variety of factors, including the capacity for:
  - sequencing strategy and design documents
  - balancing higher-level strategy alignment and flexibility at both national and subnational levels
  - balancing the interests and perspectives of different parts of partner government, who may also have poor relationships
  - optimising resources in policy and guidance using in-country knowledge and expertise.
- › Aid program staff can access a reasonable level of support through key strategy, policy and guidance documents and other learning opportunities. More could be done, however, to support staff to take into account decentralisation and governance at subnational levels.
- › There has been some progress in integrating governance issues. The approach to integration of governance capabilities into sector programs should be reviewed in each country context so that needs are understood and relevant options are explored.
- › There are significant opportunities for cross-sector learning and improved knowledge management within the aid program concerning decentralisation issues. More could be done to build stronger strategies around interactions and coordination between programs.
- › Practical support and steps for program staff include good practice examples; greater interaction between governance and other program staff; links to broader public sector reform governance programs; design of sector programs with clear governance objectives; corresponding resources.
- › Greater coherence is needed across country programs, particularly at the subnational level.
- › Responsibility for coherence across country programs should not be assumed to be the responsibility of the governance program team. Not all country programs will have governance staff and may sit more easily within a corporate area such as program effectiveness or in quality teams who work across all program areas.

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## Recommendation 4

DFAT should foster specific governance capability in areas related to decentralisation and subnational levels, in particular:

- i incentives and mechanisms to support governance and service delivery sector areas to work more strongly with one another
  - ii skills and knowledge of/resources available to governance staff to communicate with and support sector staff
  - iii sector staff knowledge of governance and decentralisation
  - V formal training opportunities and resources for on-the-job learning, that build governance and decentralisation knowledge of sector staff.
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This chapter reviews the adequacy of support provided to staff to work effectively in decentralised contexts (Section 7.1) and whether analysis and learning concerning governance and decentralisation are underpinning sector programming (Section 7.2). The level of interaction between governance and other sector programs as a component of this support is also reviewed (Section 7.3). This chapter draws on the perspectives of staff, implementing partners and partner governments captured during the evaluation interviews.

## 7.1 Support for program staff to work in decentralised contexts

Donors have been asked to '*develop consistent support and integrate decentralisation and local governance into their own sector policies and strategies.*'<sup>277</sup> There are various ways that the Australian aid program supports staff to do this. DFAT staff across the three countries where fieldwork was carried out identified a range of information sources in addition to strategy documents that they used to inform their practice, including:

- › on-the-job learning: colleagues (especially those with local knowledge), advisers (sectoral/program and Post/Canberra), field trips, meetings, brown-bag lunches, working groups
- › formal guidance (working in partner systems) and training (governance/decentralisation, working in partner systems)
- › formal evidence: evaluations, research, reports, reading, management information systems (also geographical)
- › external: donors (e.g. World Bank) think tanks (e.g. Asia Foundation), government counterparts, managing contractors, NGOs
- › personal networks.

Internal sources of information, such as on the job learning, formal guidance and training, were cited more consistently than external sources and the extent of sector staff knowledge of decentralisation is addressed below (see section 7.3).

## 7.2 Integrating governance in sector programs

This section shows that analysis and learning concerning governance and decentralisation have been addressed in some sector programs. At the same time, the need for ongoing learning, internal coordination and greater knowledge of governance and decentralisation was consistently expressed across all three countries.

## Changes to service delivery sector support

This evaluation agrees with a recent study of working in partner government systems in the education sector that noted *'using (partner government systems) puts a premium on country teams being able to build an in-depth understanding of something complex, varied and continuously evolving.'*<sup>278</sup>

The need to do things differently was evident in all three countries—to engage more strongly in governance issues in sector programs. This is consistent with a recent review of PNG governance programs that found *'sector programs have a better appreciation of the workings of subnational government and are making efforts to engage more directly with provincial administrations.'*<sup>279</sup> This review also found that new designs in health, education, transport and infrastructure reflected the use of data from provincial expenditure reviews that gave insight into the ability of line agencies to support service delivery.<sup>43</sup>

Staff responsible for sector programs demonstrated an understanding of the complexity and challenges of working at different levels of the system. Specific issues raised were the need for more informed approaches to local contexts, relationships, financial flows, capacity, resource needs, incentives and accountability mechanisms at the subnational level. For example, education staff in the Philippines explained that for 20 years the focus was on classrooms and materials development whereas now there is recognition of governance issues, such as business processes, structures, the capacities of people, and accountability mechanisms. In Indonesia, staff reported that the key infrastructure initiative (Indonesia Infrastructure Initiative) addressed core issues of poor asset management and lack of ownership and badly managed funding from the national level.

## Influence of governance programs and advisers on sector programming

An important point to note is that 'governance' is a 'sector' with country-specific plans, programs and initiatives. These may, or may not, be aligned to the other sectors. Also, it is a cross-cutting element of the aid program and is considered to be similar to other cross-cutting areas such as gender.

This evaluation raises key questions about how the governance strategy can be implemented with regard to this area. What are the practical ways to implement *'strengthening knowledge and training, as well as coordination and cross-agency collaboration'*? To what extent are governance staff members expected to support better inclusion of governance considerations in sector programs? Should sector staff undertake governance training or is other support needed?

Program staff from the three countries reported different experiences of support from in-house and Canberra-based governance advisers.<sup>44</sup>

The Philippines demonstrated engagement between staff and programs in governance and other sector areas. In addition, their roads program was led by governance, not infrastructure, staff. The learning from this initiative had clearly been shared across all programs. For example, staff described 'brown-bag lunches' that facilitated engagement and exchange. Governance staff in the Philippines cautioned that there were limits to the support they could provide in responding to issues raised in sector programs. For example, it was reported that the national-level governance program (Philippines–Australia public financial management program) could not be expected to also cover subnational agencies: *'If you want to back stop subnational public financial management you need to provide resources. We don't have the skills and capacity to decentralise public financial management—six relationships with national departments are already stretching capacity.'*

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<sup>43</sup> Undertaken by the PNG National Economic Fiscal Commission.

<sup>44</sup> In Indonesia (adviser and AIPD), Philippines (advisers), and PNG (provincial representatives and initiative staff).

In PNG, the influence of governance programs on sector programs was visible and yet also had limits. The subnational governance programs (see Appendix 2) were strategic and practical attempts to address the range of issues operating in a decentralised context. These programs had four areas of focus, namely:

- > capacity building of subnational authorities
- > policy and reforms to the operation of PNG's decentralised system
- > whole-of-aid program coherence
- > provincial representatives.

The program was seen to influence the redesign of Australia's main mechanism to support rural health (Health Services Improvement Project). Policy dialogue and legislative changes influenced the health program direction.<sup>45</sup> During fieldwork, senior staff reported that *'as a result of the subnational [governance] program, people understand the system better than five years ago.'* Another governance program was reported to have been partially successful in working with health and education areas. Staff suggested more was needed though, in that *'sectoral programs need to have a vision ... to understand how the system operates, to be able to move forward.'* It is also worth noting that at the time of the evaluation, the priority for the governance program in PNG was improved coordination of PNG governance initiatives rather than coordination between governance and other sector programs.<sup>46</sup> It is also possible that the absence of a senior manager responsible for coordination across governance and sector teams contributes to limited interaction and influence of governance staff on sector teams.<sup>280</sup>

In Indonesia, governance staff reported that while they have been asked to provide input into designs, there were some sector programs that *'may overlook the decentralisation context and how sectoral programs work at the local level.'* They argued that health, education and infrastructure needed a common framework for decentralisation in Indonesia. From a sector perspective, education staff reported that *'we don't tap into the Australia-Indonesia Partnership for Decentralisation (AIPD) team enough. AIPD only works in a few districts, whereas we work nationally. We need to look at ways to tap into their knowledge.'* This was similar in sentiment to the WASH staff, who, in response to questions regarding sharing knowledge, said that they *'don't think we do! We have discussed this a lot about connecting with other silos ... we have just started doing that.'* AIPD, on the other hand, reported that *'other [Australian aid] programs that come here ask our advice. Knowledge management is an important role.'*

The interviews show that not all governance programs are seen as having a role in supporting other sector programs. Other sectors do not necessarily draw upon governance programs for support, indicating that current practice is ad hoc rather than systematic.

## Sector staff knowledge of decentralisation

While DFAT clearly provides some support to staff (see section 7.1), across all three countries, there is evidence that staff capacity to work in decentralised contexts requires further attention. Staff recognised limitations in their knowledge of decentralisation in PNG. For example, one staff member responded: *'I'm not 100 per cent confident [about sufficiency of our knowledge of decentralisation]'*

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<sup>45</sup> For example, it was reported that the research, policy dialogue and legislative changes generated through our Governance Program's support to PNG's National Economic and Fiscal Commission (PNG's intergovernmental financing agency) has heavily influenced the direction of health program over recent years.

<sup>46</sup> Recent reviews highlighted the need for greater coherence and improved delivery approaches in PNG governance programs, (e.g. T Land & F Dobunaba, 2013).

and 'in-house there's only a few people who would have a bit of an idea how it works.' Furthermore, staff members observed that decentralisation is part of a broader process of political change: 'It's complex out here and we are learning every day.' Recent reviews have offered a variety of recommendations relating to staff capacity, including the need to recruit governance specialists<sup>281</sup> and for officers to regularly travel to provinces to increase their knowledge and understanding.<sup>282</sup>

Implementing partners in both PNG and Indonesia reported limitations in program staff knowledge. In Indonesia: 'The decentralisation unit within [the Australian aid program is] not across all the issues' and in PNG: '[The Australian aid program] need to have technical assistance around how to give us guidance on what they need out of our programs ... local staff lack analytical capacity and expatriate staff lack the "how it works" knowledge.'

An important source of knowledge on context was local staff. In all three countries, local engaged officers were appreciated for their local knowledge related to political economy, policy, relationships and ways of working. Staff members who had been specifically recruited for technical or local expertise were valued and examples of good recruitment practice were related to a specific strategy document. For example, staff in Indonesia reported:

*[The] recruitment strategy ensures a mix between aid and Indonesia knowledge. [It] brings [together] policy awareness and Australian aid knowledge. The strategy has been smart to combine these and it goes a long way to reflect the nuanced understanding of what decentralisation means in Indonesia.*

Political economy analysis training had recently been delivered in all three countries by the governance group from Canberra. A number of people commented that they were now more able to talk about governance issues. One officer from the Philippines reported that recent governance training was a 'validation' of an existing focus on participation and that they now felt more confident to focus on these aspects of governance. In Indonesia, staff members reported that the local university delivered decentralisation training to aid program staff.

### Implications for different programs and country contexts

We conclude that while there has been some positive change, sector programs do require additional capacity to effectively work with partner government systems in decentralised contexts and that 'different strategies are needed depending on whether ... [Australia] is a large or small donor.'<sup>283</sup> This evaluation also found that while provinces and districts were seen as for a critical component of the service system, subnational government and decentralisation issues were not given the same level of importance across different programs.<sup>284</sup>

Each country program will need to consider its particular context, in terms of political economy (at all levels of the system) and public sector reform (across service delivery sectors). This analysis, together with assessments of internal/external capacity for governance and policy dialogue specific to the relevant sectors in a county portfolio, would help to identify the need for governance support. A cross-program assessment of staff capacity in governance and decentralisation would help identify needs in this area and could lead to recruitment strategies, professional development and other means.

Depending on the program, sectoral staff may need knowledge of the service delivery chain at all levels of partner government and across line and central agencies. All three posts had some combination of in-house governance advisers and program staff with some capacity to provide advice and support. Staff demonstrated an ability to access a range of external expertise, as well as individual and informal networks.

Clearly, staff who work on governance are able to influence and support some aspects of sector programs. A more comprehensive assessment is needed of in-house governance technical expertise and how it is resourced and used to support service delivery sectors. The current and potential coordination and collaboration between governance and other sector programs is considered further below.

### 7.3 Interaction across sectors and levels of the aid program

This section discusses how increased interaction between governance and other sectors contributes to coherence across the aid program. Coherence means consistency of approach, and aid initiatives that complement each other and make efficient use of resources.<sup>47</sup> Some examples of incoherent donor operations are shown in Box 1.

#### Box 1 Donor incoherence in decentralised contexts

- › High-level strategic goals relating to service delivery are not shared or consistent between sector and governance programs.
- › Sector and governance strategies are developed in isolation from each other.
- › Lack of country program coordination mechanism, and/or structured communication between programs.
- › Absence of mechanisms to prevent sector programs being primarily responsive to national line ministry preferences and governance programs primarily responsive to the different preferences of subnational authorities and central agencies, resulting in inconsistent approaches.
- › Donors engage primarily with national line ministry staff, and fail to engage appropriately with staff of central agencies and of subnational authorities.
- › Sectoral programs engage with sectoral staff in subnational authorities, but not senior management or corporate areas.
- › Sectoral and governance programs undertake local interventions in different locations.
- › Governance program interventions are not targeting governance blockages important for an outcome sought by a sector program.
- › Sectoral programs emphasise direct service delivery and bypass subnational systems, sometimes when governance programs are trying to strengthen those government systems.

#### Canberra: decision-making and guidance

##### Decision-making

The aid architecture has been designed to increase coherence within and across country programs.<sup>48</sup> A high-level committee, based in Canberra, reviews all country strategies and high-value initiatives, in addition to the routine in-country approvals of strategy and design and negotiations with partner government agencies. These approval points provide opportunities for senior management to ensure governance issues of service delivery are adequately addressed prior to implementation.

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<sup>47</sup> The AusAID policy for Strategic Program Development states that '*programming interventions and policy dialogue should be coherent, outcomes focused and recognise/leverage the interdependencies inherent in the program portfolio*' (AusAID, *AusAID policy: strategic program development*, 2013, p.3.)

<sup>48</sup> The main formal requirements include: country level situational analysis, country/delivery strategies and initiative level designs, performance and quality reporting, reviews and evaluations.

## Guidance documents

Previously guidance on preparation of country and delivery strategies (see Sections 6.2 and 6.3) contained limited prompts to consider critical governance issues. Some form of guidance would support a consistent approach and is likely to result in more appropriate and effective programming.

The suite of 'working in partner systems' guidance provides some formal guidance. Staff experience in the field suggests that more could be done to extend the scope and usability of this guidance. Attempts to conduct partner government assessments at subnational levels (in Indonesia and the Philippines) highlighted that some staff believed the assessments were designed for the national level and were not appropriate for subnational level. In Indonesia, assessments were seen as *'currently a compliance exercise and too simplistic ... [there is] a gap between [the Australian aid program's] requirements and questions on-the-ground.'* This view was contested by staff in Canberra who reported that the assessments had been used successfully at the subnational level.

Many field officers seek and greatly appreciate practical guidance documents. For example, officers in the Philippines reported: *'Rules and tools ... very useful and suitable for this environment compared to before—all you need is there.'* The guidance and tools were said to assist staff to look at how they connected with other parts of the organisation, including thematic groups and governance programs. In this way, they can be seen as a support to coherence across the aid program. Any additional guidance and resources should build on the current system through the revision of existing documents (based on feedback from staff) and the provision of examples that demonstrate the application of policies and tools.

## Practical and timely advice

Past reviews have identified problems with communication between Canberra and Post<sup>285</sup> including inadequate input into designs from Canberra sectoral advisers.<sup>286</sup> Yet, in this evaluation, staff gave us several examples of Canberra-based advisers influencing program design. For example, the PNG governance team reported that the Canberra governance thematic group provided support for their new delivery strategy: *'Recently the engagement with Canberra has helped to redesign the new governance program (working as one team).'* These and other examples suggest that the quality and accessibility of advice and support from Canberra is improving. Practical and timely advice from Canberra could be expected to enable more effective uptake of strategy, policy and guidance.

## Coherence at country level

In all three countries, senior management had tried to improve coherence in governance and service delivery across the country program. The Philippines country strategy was exceptional in that it provided clarity on interrelationships between programs and support to align aid approaches. This was reflected in the interviews with staff who consistently reported the strategy was a critical foundation to the way they worked (see Box 2.)

## Box 2 Philippines country strategy

Staff highlighted the following features of the strategy:

- › Governance programs were explicitly related to service delivery.
- › Governance was both a program area and a clear cross-cutting objective to underpin sector programs.
- › Several governance programs were explicitly linked to other sector programs.
- › The strategy was flexible and responsive to changes in national government with modular approach to programming.
- › The strategy was able to support decentralisation reforms linked to election outcomes and subsequent changes in focus.

PNG provided a useful model for placing officers at the subnational level. A recent strategy review identified that *'the [provincial representative] function is the most practical manifestation of the shift from coherence between [it being] regarded as an [subnational strategy] responsibility to it being regarded as a whole of program responsibility, under the Chief of Operations'* <sup>287</sup> (see Box 3). Another review also noted the importance of this role, as well as the need for the aid program to decentralise its own support functions.<sup>288</sup>

### Box 3 PNG provincial representatives

The Australian aid program has placed staff in the provinces of Papua New Guinea for almost 10 years in an effort to support the decentralisation process, represent the aid program and inform Australian aid programming. This representation has changed over time.

#### Provincial Australian aid staff (2005–07)

Australia first started to base aid staff in the provinces in 2005 as part of the Sub-National Initiative. Six staff were placed in three provinces: Central (two staff), East Highlands Province (two staff), East New Britain (two staff). The initial placements were based on prevailing reform and service-improvement oriented approaches in those provinces at the time.<sup>289</sup> In 2007, Australia placed a full-time officer in Bougainville, and in 2008, placed an education development specialist in Milne Bay Province and an adviser in Western Province.

Provincially-based staff were primarily focused on supporting the implementation of the Provincial Performance Improvement Initiative (PPII). The roles of the provincial staff<sup>290</sup> were:

- › engaging with the provincial administrator and provincial division managers on the PPII; supporting budgeting, spending, human resource and performance management, and local implementation of the National Economic and Fiscal Commission Reform of Intergovernmental Financing Arrangements
- › coordinating the substantial package of Australia assistance implemented locally and ensuring stakeholder awareness and understanding
- › informal ‘on-the-ground’ monitoring of assistance and advising Port Moresby sector and governance programs on what was needed to improve local acceptance and implementation
- › developing understanding of the political economy, governance arrangements and mechanics of service delivery under the decentralised system.

#### Co-located officers (2007–10)

The role continued under the Sub-National Strategy (SNS), and these officers were referred to as co-located officers.

The officers continued their support for PPII (and SNS), coordination of assistance, on-the-ground monitoring of assistance, and providing an insight into the politics and mechanics of decentralisation. The officers also had more strategic tasks to support the reform process:

- › supporting the Provincial Management Team (PMT) of each province in reviewing and strengthening their administrative processes and in developing a reform agenda for more effective service delivery
- › acting as a liaison through which PMTs could more easily access technical advisory resources that they need to assist them with their respective reform processes
- › providing Australia with an ongoing needs analysis of provincial, district and local government requirements
- › assisting in maintaining a focus on key cross-cutting areas within the subnational level of the Australian aid program including gender and HIV/AIDS
- › ensuring Australian programs fitted within the coordinated development process of the province.

The 2009 review of the SNS<sup>291</sup> found that ‘*co-located officers were contributing to the improvement of administration services by supporting provincial efforts to implement the PPII and provide an AusAID presence at provincial level.*’<sup>292</sup>

The PNG Department of Provincial and Local Government Affairs valued co-located officers because they supported PPII implementation and provided *'our eyes and ears on the ground.'* However, uncertainty about the role of co-located officers and perceptions of some PMTs that these officers were advisers caused confusion, and led to some concern that the officers lacked the competencies required to be public administration advisers. The review recommended that these perceptions be addressed by clear communication of the roles and responsibilities of the co-located officers.

An internal AusAID minute describing the officers' role at the time states that there was *'little understanding of the roles of the provincial officers and limited cross-sectoral engagement.'* As a result, *'AusAID continued to operate in a siloed manner in the provinces and provincial officers were not being used to their fullest potential.'*<sup>293</sup>

### **Provincial representatives (2010–12)**

After the 2009 review, in 2010 the position was renamed to 'provincial representatives.' These officers continued with the same terms of reference but no longer held responsibility for the day-to-day administration of PPII support.

They also aimed to increase the level of engagement between their role and other Australian program roles, particularly the governance teams. However, more intense collaboration was required and led to recommendations to:

- › increase the number of provincial representatives (there are now 12<sup>294</sup>)
- › increase the seniority of these officers and sector specialisation
- › merge the SNS and governance teams
- › mandate that provincial teams act as the single coordination point for all aid investments and sectors
- › require sectors to liaise with the representatives about all investments within the province.<sup>295</sup>

### **Provincial teams (2012–present)**

All these recommendations have been implemented.

### **Lessons learned**

The Australian aid program has learned much from working in the provinces. Lessons cited in the 2012 document<sup>296</sup> on refocusing the provincial representative's role are worth stating here:

- › The program is still learning about decentralised service delivery, and so is the PNG Government.
- › Program coherence does not come easily. It requires a supportive structure, led comprehensively by the senior executive, and an active and regular effort on the part of all officers.
- › We have to avoid replicating our sector silos in the provinces. Provincial representatives need to be part of a provincial team, not separated into sectors.
- › We need to commit to being in the provinces for the long term.
- › Being on the frontline of service delivery is expensive. However, if we want to extend our reach to the poorest regions, we cannot continue to focus on Waigani.
- › The provincial officers have a highly responsible role. Who we choose for these roles is crucial to their success.
- › Each province is unique and assistance to each will be dependent on their needs.

## Interaction between program staff within country programs

The evaluation found a few examples of programs working together across sectors and within subnational geographic locations. However, barriers preventing stronger interaction were also described.

Coherence in the Philippines was supported by an office whose relatively small size enables staff interaction. The Philippines had introduced coordination meetings for staff working with the same partners in Mindanao to ensure coordination. A number of programs (peace and education) had been brought together into one team with regular meetings and unified monitoring and evaluation. The education program reported that they were working with the governance financial management program on management information systems, design and training for the education department. Staff in the Philippines also spoke about challenges for collaborating on such activities, such as the existence of silos and some difficulty reporting activities that were intertwined. Staff also mentioned that collaboration is resource intensive to coordinate and takes time away from other responsibilities. This may be particularly relevant for governance staff, if they are expected to work with sectoral teams on decentralisation issues and also have their own programs to manage.

In Indonesia, staff gave several examples where working across programs was seen to be difficult. The education program was reported to be locked in to the national government agenda, which prevented them from adopting an approach that was more aligned to other programs. A sectoral health program noted that it was *'difficult to work with AIPD [subnational governance program] as they have their own framework—it is hard to work with this.'* Also Program Nasional Pemberdayaan Masyarakat (National Program for Community Empowerment), reported similar problems, saying that *'currently there is a lack of coherence between this part of the [the Australian aid program] and the other sectors. This beginning to change but much more needs to be done.'*

## Coordination and alignment at subnational level

The challenges described above in securing good coordination between staff and programs were revealed quite starkly at the subnational level. Both government partners and implementing partners commented on the limited coordination across different aspects of the Australian aid program. Subnational governments also reported a lack of coordination with their own plans and priorities. The latter problem raises an important point in that organisational coherence within Australian assistance may be at odds with good coordination and alignment with partner government priorities. Achieving such alignment and coordination is already challenging across the multiple countries in which Australia works. These difficulties are intensified if we take into account the numerous subnational priorities and processes involved. The reviews of sector initiatives profiled in Chapters 4, 5 and 6 expand upon this question of alignment and relevance at the subnational level.

## Coordination within aid program

Implementing partners represent the main 'presence' of Australian assistance at the subnational level, and their perspectives are important. There was evidence that implementing partners saw a problem of coherence: *'[The Australian aid program] needs to have "one voice" and have cohesion and synergy at the local level'* and *'there are many programs implemented in [this] district—yet there is little coordination.'* Interaction between programs is ad hoc. For example, one partner reported that *'we get along informally but we do not coordinate in a formal way.'*

There were examples of strategic coordination, as reported by a partner civil society organisation: *'In ACCESS, AIPMNH and AIPD there's policy-level interaction. We talk and promote issues together,*

*especially when we want to trigger behaviour change.* It was clear that unless designs and contracts contain built-in requirements to coordinate, it is unlikely to happen: *'What are the motivations of managing contractors to talk to other managing contractors if [they are not] contractually bound to? But [the Australian aid program] can initiate [this].'* One participant reported that *'we could be more efficient if we were structured cohesively'* and that combined meetings across different programs might be a useful step towards better coordination.

In PNG, an additional resource that is 'on-the-ground' at provincial level is the provincial representatives, who can support local-level coordination. Their ability to influence sectoral programs has limits since such programs report to staff based in the capital, and not every province has a provincial representative.

### **Alignment with subnational authorities**

Subnational governments in some locations were positive regarding Australian assistance and its alignment with their plans and priorities. For example, as compared with other donors, Australia was noted in Indonesia to be *'most in line with local government programs and coordination is more intensive .... [and] more consultative.'* This was also expressed in a province in PNG: *'It's easier to engage with [the Australian aid program] than the others.'* A provincial government in PNG also voiced appreciation of the longevity of Australian support: *'The others come and go but [Australia] has stayed. It's very important as without them how would we do things? Communities benefit.'* Participants also reported that Australia had trust in subnational partners and this was highly valued: *'The structure that is put in place empowers us and makes us feel respected.'* Australian support for existing service delivery roles was also noted in Indonesia: *'[The Australian aid program] has helped us to organise our roles and responsibilities and functions. It has improved our program implementation.'*

On the other hand, subnational governments also commented on the lack of coordination and alignment. Participants reported on various issues related to planning and reporting, such as a lack of synchronisation with local planning. For example, an Indonesian provincial planning agency reported that *'we hosted a gathering to discuss local planning program. However, donor programs are already fixed and cannot be synchronised. Donor programs focus on particular areas, some of which we already work in so there can be double-up in some areas. If we knew where donors were programming earlier we could allocate our resources to another district.'* One participant in PNG pointed to the possibility of an excessive burden being placed on resources and staff if uncoordinated initiatives occur in the same location: *'We are already going, then another program starts—that doesn't help the provinces.'* And in PNG, a reminder that national and local priorities may be different: *'We need to remember national priorities may not be the same as provincial priorities.'*

Reporting was often seen to bypass local authorities. A provincial government representative in Indonesia said: *'For future improvement we need better coordination at the implementation stage. Progress reports go straight from [the Australian aid program] to the central government. The district and provincial governments need to see these reports.'*

Coordination and alignment with subnational priorities is important because of the considerable risk to the sustainability of service delivery outcomes if sufficient local ownership and capacity is not developed. As noted by a provincial planning office in Indonesia: *'There are people who question whether the purpose of the Australian Government is to let things end when they know we can't continue. In the past we had projects ... [that] ended and facilities were not looked after and then another program [to build new facilities] started.'* This comment points to the risk of repeated cycles of aid implementation support when capacity issues are not given sufficient attention and priority.

## Staff suggestions to improve practice

Staff gave a range of reasons for limited cooperation and learning in sector programs, and reported that programs could actually undermine each other's work. These problems related to the way accountability was focused on initiative-level performance, which limited time and resources for cross-program work. Teams were said to work in isolation and prioritise relationships with central government over local stakeholders. Staff commented on poor knowledge management systems and practices (in line with findings of other reviews<sup>297</sup>) with limited and ad hoc communication and information sharing.

In-country workshops in Indonesia and PNG canvassed broad suggestions for improving aid management practices, as well as more specific issues related to increased coordination, decentralisation and working at the subnational level. The workshops included a range of program staff from governance and other sector programs. Staff advocated doing more of what was working. This included:

- › better knowledge management systems and more formal sharing of information between programs, provincial representatives, technical advisers and managing contractors. For example:
  - › more regular meetings between those working in the same location on selection and monitoring<sup>49</sup> of subnational partners
  - › joint/regional planning, up-to-date provincial profiles and political economy analysis
  - › cross-program learning and publishing good practice about ways of working at subnational level
- › better linkages between sectors in management,<sup>50</sup> designs, joint monitoring with partner government and sharing results of monitoring, analysis, diagnostics, evaluation/reviews<sup>51</sup>
- › development of in-house expertise in governance issues, especially in relation to the specific contexts for programs.<sup>52</sup>

At the same time, interviewees recognised that these activities would require time and resources and would need to be considered alongside other demands on aid program staff.

## Sharing program evidence to improve choices

There are a number of ways the Australian aid program can support staff to make choices in decentralised contexts. Findings from fieldwork across programs demonstrated different ways to invest resources in such contexts and the expected benefits that are associated with such investments (Table 7). These examples can be considered in new aid program investments.

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<sup>49</sup> One staff member suggested a more consistent approach to monitoring of different sectors.

<sup>50</sup> Suggestions for management included flexible recruitment and incentives for staff to work across sectors.

<sup>51</sup> Other suggestions included co-location of Australian aid staff as well as with contractors and government, location of Australian aid offices in the provinces, and increased engagement with less developed provinces.

<sup>52</sup> For example, secondments between DFAT, government and provinces, as well as overseas staff and Canberra/Posts.

**Table 7 Investment choices and associated benefits**

Investment choices	Benefits
Staff located at subnational level	Potential for knowledge inputs to posts in country capitals based on on-the-ground experience and exposure
Technical assistance: additional governance advice for sector programs and/or design and evaluation teams	Designs, implementation and evaluation that are more responsive to the governance context
For initiatives that cover multiple subnational locations: <ul style="list-style-type: none"> <li>• Public financial management review across subnational locations</li> <li>• Capacity reviews of subnational authorities (human resources, technical etc.)</li> </ul>	Evidence base to develop sound strategies for improvement in local public financial management Evidence base to develop responsive solutions to the breadth of local needs, which may vary from location to location
Detailed local-level analysis and engagement in potential field locations to inform designs	Designs that respond to actual situations at subnational level Familiarity with how to work politically within local-level locations Buy-in and engagement with local leaders Well-informed choices of subnational location
Making available subnational perspectives to evaluation teams through fieldwork or other sources	Greater understanding of performance of programs within subnational locations
For initiatives that involve in-depth engagement in one or a small number of subnational locations: <ul style="list-style-type: none"> <li>• Concurrent regular engagement at national level</li> <li>• Sufficient personnel to develop individual and institutional capacity</li> <li>• Sufficient timeframes for change</li> <li>• Strategies for development of local systems for citizen engagement in service delivery</li> </ul>	Potential to leverage engagement in one location for wider influence Sustainable capacity development Effective citizen engagement in service delivery
Development of performance incentive mechanisms for subnational authorities Analysis of existing financing mechanisms between national and local level Ongoing analysis and monitoring of potential loop-holes and perverse incentives associated with a well-intentioned incentive structure	Increased engagement and responsibility taken by subnational authorities to meet their mandates Potential for uptake by national government of new financing mechanisms, for example, output-based approaches

## 8 Conclusion

Working in decentralised contexts is challenging. It involves working with a large range of government and other counterparts. It also involves working in low-capacity subnational settings which often have poor financial management, high staff vacancies and turnover, insufficient technical capacity and high levels of risk. It requires analysis of, and engagement in, conflicts arising from contested power and authority. Finally, it must negotiate unclear roles and, in many cases, limited resources for service delivery across all levels of government. This is no easy task.

This evaluation found that the Australian aid program has recognised and responded to the difficulties of working to improve services in decentralised systems. Australian support is changing as organisational processes, strategies and structures to make aid more effective in decentralised contexts are developed and increasingly used. This could be done more systematically by implementing the recommendations and using the practice notes produced as part of this evaluation. This judgement is expanded upon and substantiated by assessment against the six evaluation criteria below.

**Analysis and learning (improving, but currently insufficient):** Analysis of the decentralisation context was sound in sector programs. Analysis of the constraints and opportunities in particular subnational locations was usually inadequate. Given the variability in the service delivery context across different subnational locations, and the importance of local leadership and institutions, this is an area that needs further attention. The resourcing implications of ensuring staff have a good understanding of conditions at subnational level needs to be considered. Various innovations have developed within the aid program to enhance knowledge of subnational contexts, including the use of provincial advisers in PNG.

Policy, strategy and guidance documents cover issues related to decentralisation and service delivery unevenly. Country and delivery strategies (now known as aid investment plans and sector investment plans respectively) are mostly sound, but thematic strategies could provide greater guidance. Guidance for strategy and programming refer to partner governments as a coherent entity and have insufficient prompts for staff to consider the different parts of partner governments and the potential for competing interests.

The evaluation found that resources to support sector program staff are needed, including formal knowledge sharing and cross-program learning. In addition, greater integration of governance capabilities into sector programs is important. This could be achieved through stronger links between governance and other sector programs, clearer governance objectives in sector programs, and through optimising the role of existing governance advisers for technical inputs and/or capacity building.

**Alignment and relevance (mostly appropriate):** Australian assistance is strongly and consistently aligned with the priorities of partner governments at the national level. Alignment to the priorities of subnational authorities is variable. In some cases, there is no attempt to provide support for subnational authorities' roles in service delivery and the priorities of the aid program and subnational

counterparts are not aligned, even though support at this level is provided. Stronger consultation with subnational authorities during design is one approach to addressing this issue, as are incentive-based approaches to subnational participation in aid programs.

**Balance of engagement (varied, mostly not appropriate):** Four dimensions of balance were assessed in the evaluation. First, Australia needs to ensure engagement at the national level is appropriately balanced with engagement at subnational levels. Some programs focus on national engagement while others have predominantly a subnational focus. Few programs had a good balance at both levels. A dominant focus at one level may be justified for certain programs (e.g. in the case of excessive fiduciary risk at subnational level). It is critical, however, that the balance of engagement is based on analysis and where possible includes strategies to mitigate any negative consequences resulting from unbalanced engagement. The resource implications for working across different levels and different subnational locations must also be factored into investment decision-making and reflected in program documents.

Second, at the national level, engagement needs to be balanced between central and sector ministries and senior staff need to be well versed in the issues. This evaluation found that engagement was weighted towards sector ministries. Policy dialogue with central agencies is important in addressing systemic issues that undermine service delivery. On some issues, concurrent engagement with sector ministries may also be required as they have the potential to undermine, or promote, effective decentralisation.<sup>298</sup> It is important for aid program staff to be aware that sector ministries may look to retain power and authority. In some cases, there may be valid reasons for this and that are important for effective service delivery, however, there may also be other interests at play.

Third, engagement needs to be balanced between elected leaders and local administrations. Some initiatives have cultivated political support from local leaders but many initiatives did not pay enough attention to this.

Fourth, work to improve the supply of services needs to be balanced by work to enable users to demand better services. Sector programs typically focused on the supply side at the expense of the demand side. There were few examples where initiatives successfully integrate efforts to build citizen capacity to participate in planning or monitoring services and to hold government and service providers to account. Where the demand side is given attention, for example in a large-scale rural water and sanitation program in Indonesia, the programs have delivered good results.

**Sustainability (variable success):** Sustainability of service delivery outcomes in decentralised contexts is challenging. Sector programs have succeeded in improving services but not always in a way that gives ownership to local levels of government. This poses a risk for the prioritisation of recurrent resources that are needed to sustain improvements in service delivery. It is therefore likely that some of the gains made through aid support will be lost over time. This evaluation found some innovative ways of working which may improve sustainability as they created local ownership and built capacity.

**Equity (sufficient regarding poverty, insufficient regarding gender):** Equity was considered in two ways. First, it was considered in terms of outcomes for the poor who do not always receive better services in decentralised systems. Australian assistance was found to be well targeted. While subnational locations were sometimes, but not always, selected on the basis of socioeconomic need, **all** initiatives were focused on the poor, if not the very poor. Since decentralisation reform processes can often produce uneven results, choice of subnational location needs to be carefully considered.

Equity was also considered in terms of the service needs of different groups including women and marginalised people. Few initiatives pay adequate attention to specific issues for women or

marginalised groups. This reflects the low level of engagement on the demand side. The evaluation found services could be improved through work at the subnational level to promote gender awareness and develop strategies to address gender equality. There are good examples of gender work to improve services, such as ensuring women are on decision-making boards in PNG in education and health.

**Coherence (improving but currently insufficient):** Coherence was considered within three separate areas: country programs and sector portfolios; subnational locations; and organisational policy or guidance.

The Philippines had a coherent approach to working in decentralised service systems. Indonesia and PNG demonstrate less coherent approaches with governance initiatives not adequately underpinning sectoral support, however, in PNG recent efforts are improving the integration of governance and health sector programs. Managing contractors and civil society organisations felt that Australian support could be better coordinated at the subnational level. This view was shared by some subnational government stakeholders in Indonesia.

Staff confirmed that strategic coordination and collaboration at the subnational level is a challenge and difficult to address without the allocation of specific resources.

Recent guidance for strategic programming, for working in partner systems, and for political economy analysis are all useful supports to aid in decentralised contexts.

# Appendix 1 Policy context

This appendix provides details of the international and national policy reform contexts of the last 10 years that inform the Australian aid program's approach to service delivery and decentralisation. It also provides details of Australian aid program's policy response to these international and national reforms.

## A1.1 Decentralisation in international development policy

There has been an increasing recognition of the need to work with a range of levels of government in international development policy, particularly in the aid effectiveness agenda. Donors agreed, through the Monterrey Consensus (2003), to substantially increase official development assistance (ODA), based on a new partnership between developed and developing countries and an increase in aid effectiveness.<sup>299</sup> Donor commitments to increase the use of country systems for aid delivery, as part of increasing country ownership of their own development, are documented in successive aid effectiveness agreements: the Paris Declaration (2005), the Accra Agenda for Action (2008), and the Busan Partnership for Effective Development Cooperation (2011).

The definition of 'country systems' has evolved over time. The Paris Declaration, for example, defines 'country systems' as national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring. Subnational systems are only mentioned from Accra onwards. The appropriate recognition of, and engagement with, subnational government has become identified more recently as critical: *'The importance of subnational governments as actors in the development process and as active partners in development assistance has increased [and] the original notion of ownership has broadened beyond traditional national actors to include other stakeholders in recipient countries, including subnational governments and citizens.'*<sup>300</sup> It is further argued in the literature that a reliance on traditional 'national-centric' approaches to the Paris Declaration principles misses important opportunities to improve aid and development effectiveness.<sup>301</sup>

The aid effectiveness agenda includes a focus on 'results' in the form of measurable impacts on development outcomes. This line of thinking has been picked up in the Australian aid program and has led to a renewed emphasis on value for money.<sup>302</sup> An important consideration for this evaluation was whether the drive within the health, education and infrastructure sectors for immediate, tangible outcomes (which may offer easy justification of 'value for money'), may potentially compromise the other elements of aid effectiveness described above, namely longer-term efforts towards capacity building, institutional reform and political engagement that are an inevitable part of country-driven development.

## A1.2 Relevant trends in Australian aid

The national policy context in the last 10 years has mirrored the international context, coupling strong ODA growth with an increased focus on the effectiveness of aid. During this time, the Australian aid program was the subject of a number of important reviews<sup>303</sup> which influenced the way the program operated in the increasingly decentralised development context. The three major reforms of aid in Australia of relevance to this evaluation are:

- › increased use and support to partner government systems
- › increased investment in service delivery and governance
- › increased aid program coherence.

### Increased use and support to partner government systems and processes

The Australian aid white paper in 2006 recognised that aid programs that are owned and driven by partner countries were likely to be more sustainable.<sup>304</sup> The Paris Declaration Monitoring Survey in 2008, the OECD Development Assistance Committee (DAC) review in 2008 and an Australian National Audit Office (ANAO) review in 2009 all critiqued the then current level of use of partner government financial systems and recommended that Australia increase this use.

The ANAO audit is the most explicit in identifying a way to increase this use of partner government financial systems.<sup>305</sup> ANAO recommended that Australia develop policies that address the benefits and lessons learned to date in the use of government systems, how decisions to use government systems are reached, including thorough assessment of potential development benefits and risks, and how the more significant risks of using partner government systems are managed.

The most recent DAC review continues this line of argument. It recommended that Australia increase the share of aid delivered through program-based approaches by 30 per cent, and make use of partner government systems for design, management, expenditure, monitoring and reporting.<sup>306</sup> Further, it recommended that where use of partner systems is deemed too risky, Australia should *'strengthen financial management systems to manage program-based approaches.'*<sup>307</sup> The independent review of aid effectiveness also suggested expanding the use of partner government systems, with a cautionary note that the form of aid should be considered carefully before using partner financial systems.<sup>308</sup> Guidance material for strategy development for the Australian aid program reflects these trends:<sup>309</sup> *'Strategies should clearly articulate how we will use programming, policy dialogue and partnerships in ways that improve rather than undermine the capacity of partner governments. Where assessment identifies weak partner systems, strategies should explore ways to strengthen these systems with a view to their use in the longer term.'*<sup>310</sup>

Corruption, as well as poor management, is a risk when working within partner government systems. The 2007 ODE evaluation on approaches to anti-corruption<sup>311</sup> in the Australian aid program investigated this issue and made a series of recommendations regarding the tracking of anti-corruption outcomes and providing advisers and counterparts with explicit guidelines on what to do if confronted with corruption.

### Increased investment in service delivery

Support for service delivery has increased over recent years. For example, the 2009–10 ANAO report noted a tripling of support for education and doubling of support for health between 2007–08 and 2010. The increased investment is accompanied by recognition of the importance of governance to secure longer-term and sustainable improvements in service delivery. The relationship between governance and other sectors is addressed in the comprehensive aid policy framework (CAPF): *'While*

*there is forecast to be a reduction in the share of total ODA spent on governance, increasingly governance initiatives will be integrated into sectoral programs in areas such as health and education.'*<sup>312</sup> The ODE 2010 evaluation<sup>313</sup> recommended focusing Australian support to public financial management reform on improved service delivery. The evaluation recommended moving beyond the Ministry of Finance to working with line ministries and local government. The evaluation provided detailed recommendations about the useful focus of Australian support to public financial management reform. This should focus on encouraging partner governments to ensure predictable and timely allocations to line agencies and subnational governments improve transparency and provide resources consistent with costs. The ODE 2012 evaluation<sup>314</sup> also recognised the need to increase the range of partners to civil society actors in order to expand the reach of services.

### Increased aid program coherence

The independent review of aid effectiveness noted the need to improve coherence and exploit synergies between how the program is working in different areas such as civil society, governance, and gender. An internal review of the aid architecture in 2013 looked to clarify definitions and structures around policy and strategy in order to improve coherence. This review noted the important role of delivery strategies as a key opportunity to consider implications of decentralisation within a sector. A key dimension of coherence for this evaluation is the linkage between sector support (and staff specialisation) and the governance area, noting that governance is considered both a sector in itself, as well as a cross-cutting issue. This is because working effectively in decentralised contexts requires a high level of governance knowledge and practice.

These three reforms all require increased staff knowledge of partner countries, and staff specialisation. The white paper stressed the need to strengthen analysis of development issues through deeper knowledge of partner countries. This issue was followed up in the ANAO report of 2009–10, which noted how AusAID devolution had improved knowledge of partner countries.

### The Australian aid program's response to the international and national reform agenda

The Australian aid program has developed a series of policies and supporting strategies in response to the context described previously. These include:

- › **Using and supporting partner government systems and processes:** The 2012 statement on effective aid shows an increase in funding through developing country governments in 2005–10 from approximately 3 to 8 per cent.<sup>315</sup> The CAPF sets a target of 30 per cent of aid delivered through country partners systems by 2014.<sup>316</sup>
- › **Increased investment in service delivery:** Service delivery is integral to two of the five core objectives of effective aid and CAPF, specifically 'saving lives' and 'promoting opportunities for all.' The increased commitment to service delivery can be seen in CAPF's statement that by 2015–16, 25 per cent of the aid budget will be spent on education assistance.<sup>317</sup>
- › **Coherence within the aid program:** The relationship between governance and other sectors is addressed within CAPF: '*While there is forecast to be a reduction in the share of total ODA spent on governance, increasingly governance initiatives will be integrated into sectoral programs in areas such as health and education.*'<sup>318</sup> Coherence has a human resources, as well as a programming, dimension. The workforce strategy includes development of sector specialists, aid management and aid policy professionals. Currently, competencies for sector specialisation in service delivery areas of health and education are strongly sector specific and do not include strong reference to governance skills.

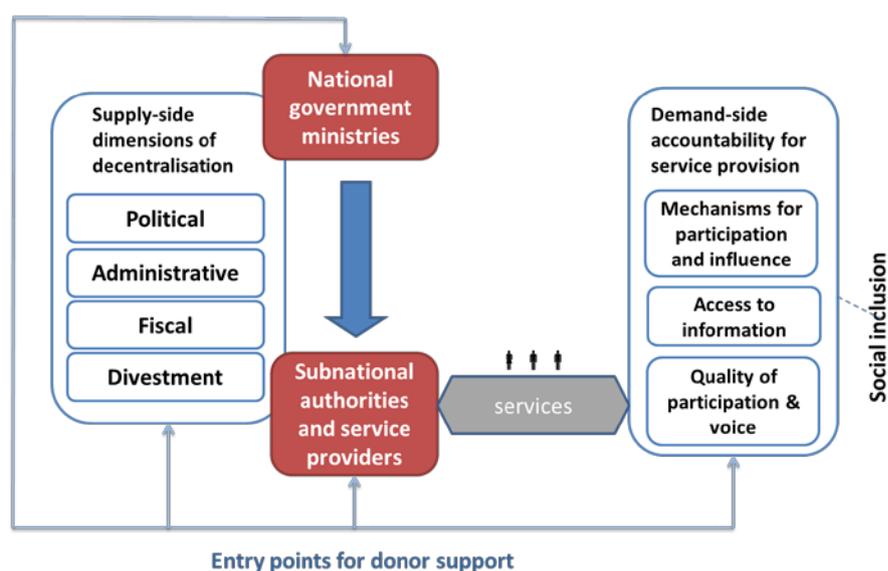
## Appendix 2 Evaluation design and methods

This appendix provides detail on the evaluation design and methods. It justifies key methodological choices, demonstrates their fitness for purpose, validity and credibility as well as acknowledges the limits of the approach. It also explains further background to the evaluation criteria applied throughout the report.

### A2.1 Conceptual framework

The evaluation took a 'systems approach' to ensure consideration of the breadth of different 'parts' of partner governments and other actors involved in providing services and across service delivery chains (Figure A1). The conceptualisation also incorporated 'good governance' aspects of provision of basic services, such as demand-side accountability for service delivery.<sup>319</sup> The concept of the supply side and demand side of service delivery is commonly used to underpin Australian governance support programs.

Figure A1 Conceptual framework for service delivery in decentralised contexts



#### The supply side of dimensions of decentralisation

Decentralisation is the transfer of competencies and responsibilities for performing public service obligations from the central government to local or subnational governments.

Different countries have adopted different approaches to decentralisation, and the terms to describe decentralisation vary in their use. Below are the three main modes of decentralisation (which can also

coexist in a given country, including variation between sectors).<sup>53</sup> It should be noted that, in practice, political and practical drivers render the categories below much less clear and well defined, particularly when there is low capacity to design decentralisation systems.

**Deconcentration:** The least ambitious level of decentralisation, where responsibilities are transferred to an administrative unit of the central government that is spatially closer to the population where service is to be provided, usually a field or regional office.

**Delegation:** An intermediate level of decentralisation, where some authority and responsibilities are transferred to a lower level of government, but there is a principal-agent relationship between the central and subnational government in question, with the agent remaining accountable to the principal.

**Devolution:** The most ambitious form of decentralisation, where the central government devolves responsibility, authority, and accountability to subnational governments with some degree of political autonomy.

*Decentralization is not necessarily good or bad. If it is designed well, it can move decision-making closer to people and improve governance, including the efficiency of service delivery. If decentralization is not appropriately designed or is introduced in environments in which local participation and accountability are constrained, its effect can be negative. The key challenge is to balance responsibilities with accountability and resources...Two key questions are (a) who does what regarding spending, taxing, and monitoring outcomes and (b) who is accountable to whom.*

World Bank, *A sourcebook for poverty reduction strategies*, World Bank, Washington DC, 2002, p.279.

There are four main dimensions of decentralisation:<sup>54</sup>

- › **Political decentralisation:** A process whereby the voice of citizens is integrated into policy decisions at a subnational level and civil society can hold the associated authorities and officials accountable. Questions for service delivery include: What authority is held at subnational level to make decisions about service delivery? Who makes decisions and how are they held accountable for those decisions?
- › **Administrative decentralisation:** The process of redistributing authority and responsibility for providing public services from the central or national level of government to a subnational and/or local level. Questions for service delivery include: Where does responsibility for planning, providing and delivering services and monitoring lie? To what extent are lines of accountability back up to national level?
- › **Fiscal decentralisation:** The decentralisation of government expenditure and revenue-raising authority to subnational government structures in line with their allocated functional responsibilities. Questions for service delivery include: How consistent or stable are any financial flows from national level? What authority for revenue raising is available at local level? How complex are financial mechanisms at subnational level?
- › **Market decentralisation:**<sup>320</sup> Involvement of non-state providers, including non-governmental organisations, community-based organisation and the private sector. Questions for service delivery include: How are non-state providers held to account? Are non-state actors incorporated into planning and budgeting processes? Are specific services contracted out or full privatisation?

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<sup>53</sup> These definitions are taken from the glossary of World Bank International Evaluation Group, *Decentralization in client countries: an evaluation of world bank support, 1990–2007*, 2008, p.xi.

<sup>54</sup> These definitions are taken from the glossary of World Bank International Evaluation Group, 2008, p.xi.

## The demand side of service delivery

Citizen demands for effective governance represent an important facet to effective service delivery in decentralised contexts. Their role is critical to support accountability for the quantity and quality of services and who gains access to services. Three areas are of importance:

- › **Mechanisms for participation and influence:** refers to the structures and processes that ensure active participation of citizens in influencing the operations of government. A common understanding of citizen participation is voting in elections. However, there are a variety of other mechanisms including participation in budgeting, planning, monitoring and social auditing processes.
- › **Access to information:** refers to the extent to which governments, especially at the local level, ensure accountability and transparency to their constituents and citizens can access the information to understand the role of government and their rights in relation to government commitments. Access to information can include public display of budgets and acquittals, user-friendly information on government policy and processes, and commitments and standards of service delivery.
- › **Quality of participation and voice:** refers to the capability of citizens, as individuals and in groups, to be active in mechanisms for participation available to them, to use available information and to express their voice with government to influence the practice of government and service delivery. An important component of quality of participation and voice are perceptions of power and identity within community members and between citizens and government, including the gender dimensions of each of these.

Social inclusion and gender equity are of importance within the demand side of service delivery. These concern the extent to which women, men, girls, boys, people living with disabilities and other minority groups are able to participate in decisions, hold service providers to account, and access services.

## The political dimensions of decentralisation

At its core, decentralisation is a political process, often initiated by explicit legislation, and its implementation depends on the active engagement of a range of political actors.

The process of decentralisation is complex and guided in local contexts by formal structures, organisations and processes. It is also influenced by informal relationships and power structures at both national and subnational levels.

The pace of decentralisation is often uneven, partly as a consequence of political and bureaucratic tensions and differences. It may also be reversed. So even where decentralisation is explicit and legislated national policy there is often unevenness in the extent to which it is pursued or actively supported. There may be differences between elected political leaders and administrative bureaucracies over the scope and pace of decentralisation, and related flow-on effects on service delivery. For example, in 2013 in PNG an explicit political decision was made to provide substantial budgets direct to politicians to address bottlenecks in service delivery.

## Sector policy and reform

The process of decentralisation is also influenced by sector policies. These are mandated from national-level government line ministries. Such policies may be in line with, or contrary to, decentralisation reform. Sector-wide approaches are often used to coordinate donors around such

sector policies. However often do not coordinate with other reforms and have a tendency to centralise service delivery under a sectoral line ministry.<sup>321</sup>

## Donor support and entry points

Australian and other donor support for service delivery in decentralised contexts usually takes one of four forms, each with different 'entry point.' The first is through sector programs (the key focus of this evaluation), and the other three are governance programs directed at contributing to decentralisation processes:<sup>322</sup>

- › Sectoral programs:
  - » **Support to specific sectors** often in the form of support for line ministry deconcentration and/or increasing involvement of subnational government, private or non-government sectors in the implementation of sectoral policies. May include involve efforts to increase citizen participation in the management and monitoring of services.
- › Governance programs that contribute to decentralisation processes, often with expected effects to improve service delivery:
  - » **Support for subnational authorities** with a focus on building capacity to undertake designated functions. Programs may cover a whole country or a number of selected local government authorities. This support may be designed with or without explicit links to national government authorities and national reform objectives.
  - » **Support for local area development** through providing multi-sectoral support to specific, targeted geographic areas. These programs may support local government authorities, work with or alongside them, or operate entirely outside local government structures. These programs may also target the demand side to build civil society capacity to hold service providers to account.
  - » **Support to national decentralisation policy reforms** through multi-sector, system-wide reforms to support changes of laws or regulations, planning and fiscal transfer systems, and human resources management. Donor support is usually focused on the central government ministries responsible for decentralisation.

## A2.1 Evaluation design and methods

A mixed methods approach was taken, comprising a desk-based document review, and an in-depth inquiry in three countries (Indonesia, PNG and Philippines).

### Document review

A framework was developed to consider key aspects of service delivery in decentralised contexts. This framework was structured from the conceptual framework just described, and also included assessment against other evaluation criteria, namely equity and coherence.

This framework was applied to a selection of strategy and program documents:

- › five thematic strategies covering health; education; infrastructure; water, sanitation and hygiene; and governance
- › country strategies from six countries representing the top recipients of sectoral service delivery support in health, education and infrastructure

- › 14 design and 10 evaluation documents of sectoral programs selected from above six countries across the three sectors
- › two delivery strategies for health and education in PNG
- › five thematic performance assessment frameworks.

The sample is described separately in Section A2.3.

**Analytical approach:** Systematic qualitative analysis was undertaken using prescribed questions to consistently interrogate documents. Prescribed questions were based on the conceptual framework. Questions focused on understanding the extent to which documents covered themes related to evaluation questions and evaluation criteria. For each prescribed question, documents were rated 1 (no evidence), 2 (some reference) or 3 (significant content). Where scores of 2 or 3 were achieved, quotes from the document were noted as supporting evidence, which were subsequently worked into the qualitative analysis presented in this report.

**Strength of the evidence:** The strength of the evidence is considered good. The review was systematic and based on a sound qualitative approach. The reliability was tested through review by additional team members. The inclusion of designs and evaluations from six countries allowed insight beyond the evaluation’s fieldwork component. One limitation is the size of the sample, which was limited by time and resource constraints as well as availability of relevant documentation. Another limitation is the reliance on documents without understanding implementation practice, since the two often diverge. These limitations were been mitigated by avoiding drawing strong conclusions from this component of the analysis, and triangulating evidence with other methods and sources.

Beyond the methods described above, other documentation was also reviewed:

- › Policy guidance was reviewed for content on decentralisation and its implications. The review focused on guidance material to support ‘program delivery’, strategy and program management, working in partner systems; design, implementation and completion and evaluation.
- › A selection of governance evaluations was also reviewed, categorising all recommendations into themes to support additional learning to inform practice.
- › Literature including past donor evaluations and documentation on decentralisation and service delivery were reviewed to ensure this evaluation built on existing knowledge. In addition, political economy analysis of the decentralisation context in the case study countries was undertaken by local independent expert partners to provide a foundation for understanding the country decentralised contexts. A lighter document review was undertaken of the three other non-fieldwork countries.

### In-depth inquiry

Indonesia and PNG were selected for fieldwork, due to their priority for Australian support, their significant allocations to sectoral programs, and substantial investment in sector programs. Both operate under decentralised frameworks where subnational government has responsibility for health, education and some infrastructure.<sup>323</sup> The Philippines was included to provide lessons derived from prolonged work in a decentralised context.

The fieldwork component involved:

- › in-depth three-week fieldwork inquiry in Indonesia and PNG with a focus at both national and subnational levels; engagement at national level for one week in Philippines

- › key informant interviews, workshops and focus group discussions with a range of stakeholders were undertaken; question guides were prepared for each stakeholder group, structured around the evaluation questions and informed by the conceptual framework, and detailed notes including verbatim quotes were typed up for all interviews
- › stakeholder analysis, conducted in collaboration with aid program at post to identify key stakeholders in the design, implementation and management of programming and to choose relevant sample initiatives and subnational locations

**Table A1 Consultations conducted in Indonesia, PNG and the Philippines**

Groups	Focus group discussion/ interview	Male	Female	Total
Australian aid program staff	29	38	35	73
Implementing partners	12	28	19	47
Government representatives	74	134	80	214
Civil society organisations	8	26	24	50
Service providers	10	20	26	46
Donors/universities	8	9	1	10
<b>TOTAL</b>	<b>141</b>	<b>255</b>	<b>185</b>	<b>440</b>

**Analysis:** Two main forms of analysis were undertaken of the data collected during fieldwork.

- › Qualitative analysis was conducted through systematic coding of meeting notes (141 interviews and focus group discussions) in Nvivo software. Analysis was structured according to the evaluation questions. Key themes within both the framework of the key evaluation questions and unanticipated findings and areas beyond the evaluation questions were captured.
- › A ‘case study’ approach was developed to analyse and profile six sectoral programs at greater depth. Details of the sample are shown in Section A2.3. A rigorous methodology was followed including development of a series of ‘propositions’ or hypotheses concerning each evaluation criteria. The propositions were based on the literature and document review, and were tested against evidence in available program documentation and transcripts from relevant interviews. Rival explanations were explored, particularly where different sources offered contradictions. This process led to preparation of a ‘case study database’ for each case study initiative, which included all available evidence ordered by evaluation criteria. The database was then used to develop shorter profiles, which are presented in the main report.

**Strength of the evidence:** The strength of the evidence is considered strong due to the breadth of stakeholders at national and subnational levels accessed during fieldwork (58 per cent male, 42 per cent female). The thorough, systematic analytical approach and triangulation of evidence across multiple sources, particularly for profiles, gave rigour to the approach.

Even so, there are limitations in that the fieldwork was short as compared with the complexity of each initiative and the evaluation topic. Two to three intensive weeks in each of Indonesia and PNG provided certain insights into these locations but cannot be expected to provide a representative sample of the subnational environment. In addition, language and interpretation issues, as well as issues about power, were likely to have affected responses, particularly from in-country government stakeholders. This risk was partially mitigated through the use of simple language and framing of the concepts as they were relevant to each respondent, however the risks were not able to be fully mitigated.

## Ethical practice

This evaluation adhered to an institutional ethical review process. Key ethical concerns were the maintenance of independence, impartiality and integrity as well as respect for all participants who contribute to the evaluation. A plain language one-page description of the evaluation was prepared and was shared as appropriate. Explanation of the evaluation purpose and background was provided in plain language at the start of every interview and focus group discussion and informed consent was sought in verbal form from all participants and was given. To maintain privacy and confidentiality, interviewees and participants in focus groups were told that they would not be identified, and that commitment has been maintained in this report. Attention was given to ensuring social inclusion in terms of opportunity to participate by women and to ensure participants were at ease, for example by encouraging discussion in local language or dialects where this was preferred by participants.

## A2.2 Evaluation criteria

An overarching framework was developed to assess effectiveness in the context of this evaluation. This framework was developed based on literature and evaluations of decentralisation and service delivery in decentralised contexts. The sections below present the evaluation criteria in further detail, including how each is defined, why it is important and how it was used in organisational, policy and strategy and initiative-level analysis.

### Analysis and learning (sufficient/not)

'Analysis and learning' refers to the use of a sound evidence base to inform decisions, and the organisational supports available to ensure improvement based on past learning and experience. This criterion is important in this evaluation because decentralisation is a highly complex, dynamic process, therefore demanding significant depth of contextual analysis to ensure appropriate aid choices.

At the organisational level, this criterion examines the Australian aid program's progression, based on analysis and learning, in moving from a dominant focus on national-level engagement with partner governments towards greater engagement in service delivery support at subnational level. Within policy and strategy, this criterion addresses if and how evidence about decentralisation and the role of subnational government are incorporated into strategy documents, and whether policy guidance provides sufficient direction on how to do so.

At the initiative level, this criterion is aligned with Australian aid program quality standards which dictate that designs should be 'evidence-based', meaning that they:

*Have sufficient analysis, including gender analysis, underpinning the programming choices made and the program logic to show why the design will work, including an analysis of the political realities impacting investment choices.*

*Demonstrate how the investment has been influenced by lessons from previous experience in the sector, program area and/or country, including lessons learnt by other development partners and those contained in evaluation reports and international literature.<sup>324</sup>*

## Alignment and relevance

‘Alignment and relevance’ refers to alignment of the Australian aid program’s efforts with the priorities and policies of partner government at national *and* subnational levels. Alignment is one of the principles of aid effectiveness, and its usual interpretation refers to the national level.<sup>55</sup> In the context of decentralisation, it becomes important also at subnational level.

In an initiative, ‘alignment and relevance’ includes the following notion of relevance and answering questions about what added value Australian support offers and its comparative advantage (quality at implementation report template):

*The initiative is the most appropriate way to meet high priority goals that Australia shares with its development partners in the given context.*

*[The initiative] is relevant to the specific development conditions and social and economic context in which it is being implemented.*

## Balance

Working on service delivery in decentralised contexts involves challenging decisions about the different levels at which to engage (national and subnational levels), with literature and evaluations pointing to the need for a multilevel approach,<sup>325</sup> including explicit attention to building capacity of institutions at the subnational level.<sup>326</sup>

A focus on service delivery also raises questions as to the relative weight of engagement with line ministries (usually carrying responsibility for policy, strategic planning and quality assurance) and engagement with central agencies and cross-cutting reforms (e.g. around civil service management, human resource management, public financial management and local government and service delivery systems),<sup>327</sup> especially since ties between these parts of government have been found to often be inexistent or weak.<sup>328</sup>

Lastly, literature on decentralisation and service delivery points to the necessity of improvements in citizen voice and accountability to ensure local service delivery meets needs (including of the poor and marginalised),<sup>329</sup> hence a focus on how aid choices address the demand and supply side is also included.

Balance is therefore defined across four dimensions:

- › between national and subnational levels
- › between line (sector) ministries and central ministries (cross-functional, administrative or planning ministries)

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<sup>55</sup> For example, the AusAID *Investment Design Quality Standards* specify ‘the investment takes into account the priorities of the partner government’ without any elaboration about which parts of partner government.

- › between local government (and elected leaders) and local authorities (devolved or deconcentrated line ministries)
- › demand and supply side of governance arrangements

This criterion applies at strategy (across a country program, or within a sector) and initiative levels. This does not imply that the Australian aid program should be working at all levels, across all parts of government, or across supply and demand in every initiative or sector. Rather, that a balance of engagement would be expected, based on sound analysis (which might include what other donors or other program areas are doing) and realistic expectations of achievable outcomes. The required investments for working on any of these four dimensions must also be weighed up, since each has resource implications.

### Sustainability (appropriate/not)

‘Sustainability’ is interpreted in this evaluation in line with Australian aid program quality systems and is focused at the initiative level (quality at implementation report template):

*The extent to which the processes are owned by and provide strengthened capacity of local partners.*

*The extent to which benefits are likely to endure after the Australian contribution has ceased.*

Given the focus on service delivery, the key types of outcomes in question are service delivery outcomes. Sector literature points to the challenges of sustaining service outcomes. In the WASH sector, for example, often only 50–80 per cent of infrastructure continues to function and provide some level of service.<sup>56</sup> The education and infrastructure sectors report similar issues around maintenance of schools and roads.<sup>330</sup>

Key among the above concepts concerning sustainability is ownership (again, one of the tenets of aid effectiveness), which in the case of decentralised contexts must include ownership at local level, and strengthened capacity of local partners. The investment design quality standards specify that consideration of ownership requires that Australian aid program staff:

*Consider capacity issues including the need for baseline assessments and the development of capacity development frameworks or strategies which can realistically become locally owned in time.*

### Equity (sufficient/not)

Given the overarching purpose of the Australian aid program is to help people overcome poverty, ‘equity’ is clearly a critical criterion against which to assess effectiveness of Australian support.

In relation to decentralisation and service delivery, there are also three additional considerations that make this criterion important.

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<sup>56</sup> For example: The Rural Water Supply Network provides evidence across 20 countries of hand-pump failure rates lying mostly from 20 to 50 per cent. A recent survey in Ghana estimated that 70 per cent of rural point source water supplies functioned at a substandard level and a study in India reports average ‘slippage’ (loss of access to services) at 30 per cent across the country. In 2009, World Bank assessed mechanised bore-hole and piped schemes to be 25 per cent non-functional.

First, there is a lack of consensus in the literature that decentralisation necessarily leads to improved services for the poor.<sup>331</sup>Hence, complex questions arise in terms of how the Australian aid program is positioned in relation to decentralisation reforms and ensuring its support leads to outcomes for the poor.

Second, the service needs of particular groups (such as the poor and marginalised) and those of women and men are likely to be differentiated, and hence support for development of mechanisms for voice and participation of different groups becomes important. The literature suggests that there has been limited attention to addressing gender in donor efforts concerning decentralisation.<sup>332</sup> Australian aid program policy dictates that gender and disability be incorporated as cross-cutting issues. This is expanded upon in the Australian aid program's investment design quality standards in that both 'social inclusion' and 'gender equality' are deemed important in the following ways:

#### *Social inclusion*

- *Demonstrate how we will influence advancing social inclusion within the investment— including as appropriate, but not limited to, people living with HIV/AIDS, people with a disability, ethnic and linguistic minorities, rural and remote communities and other excluded groups within the given context*
- *Integrate social inclusion into outcomes and the consideration of risks and sustainability*
- *Ensure that outcomes are equitable.*

#### *Gender equality*

- *Incorporate appropriate and effective strategies to advance gender equality and promote the empowerment of women and girls*
- *Ensure the equal access of women and girls to the benefits of the investment*
- *Demonstrate how we will influence advancing women's empowerment within the investment; including where appropriate, addressing women's role in decision-making and leadership, or empowering women economically.*

Lastly, working at subnational level requires choices about chosen locations (in terms of regions, provinces or districts). Given the widely reported unevenness of decentralisation processes across countries, the Australian aid program is faced with difficult choices with respect to targeting the poorest or working in subnational locations where higher capacity or stronger political leadership is present.

## Coherence (sufficient/not)

For an evaluation focused at the organisational level, 'coherence' is an important criterion. Improved coherence is expected from the successful implementation of the strategic programming architecture within the Australian aid program.

Decentralisation processes within partner countries are complex and differences between sectors and geographical locations can present challenges for donors to in developing and maintaining coherent country programs.

Within this evaluation, the analysis of this criterion is focused at four levels:

- › within country strategy (including how agency works through governance versus sectors)
- › within sector portfolios
- › within subnational locations
- › within organisational guidance.

## **A2.3 Sample initiatives**

### **Document review sample initiatives**

The sample was chosen to provide diversity across three sectors, six countries and aid modalities (including managing contractor, SWaP, multilateral, non-governmental organisations, direct partner government execution), to ensure breadth of representation of the ways Australia provides support in these sectors across different contexts (and beyond the case study countries and initiatives). Only high-value sector service delivery programs (>\$10 million) were included. We sought to include some documentation for programs included in three case study countries to allow for triangulation during analysis, however in an effort to ensure breadth and balance in the sample, avoided skewing the sample towards more documents from case study countries than from other countries. We initially sought to include design-evaluation pairs (hence why some design documents included were 2007–08) however it was challenging to ensure the inclusion of current/relevant programs. Since the purpose of analysis did not necessarily require matching pairs, this criteria was dropped.

The final sample was 24 documents (14 designs and 10 evaluations) covering 2007–13, representing 61 initiatives (28 education, 21 health and 12 infrastructure).

The sample of initiatives whose design document was reviewed are shown in Table A2, and for evaluations in Table A3.

**Table A2 Sample initiatives for review of designs**

Sector	Country: design	Initiative value, years and goal	Initiative description
Education	Indonesia: Australia's Education Partnership with Indonesia	Value: \$500 million Years: 2010–15 Goal: To improve learning outcomes for Indonesian children.	This initiative assists Indonesia to achieve its Renstra (Education Policy) priorities by contributing to the Education Sector Support Program. The initiative will be delivered as earmarked budget support (76% of funds), with technical assistance and block grants to help strengthen government systems. It has four components: <ul style="list-style-type: none"> <li>&gt; junior secondary school construction and expansion</li> <li>&gt; school and district level staff management</li> <li>&gt; Islamic school accreditation</li> <li>&gt; analytical and capacity development partnership.</li> </ul>
	Bangladesh: BRAC Education Program	Value: \$9.8 million Years: 2007–11 Goal: To make a significant contribution to the achievement of education for all in Bangladesh.	BRAC would like to expand its primary, pre-primary and post-primary education programs for the advancement of poor children in remote areas. The main objectives of the proposed intervention are to <ul style="list-style-type: none"> <li>&gt; create institutional access to deliver an effective low-cost quality primary and pre-primary education program</li> <li>&gt; expand primary and pre-primary education all over the country, especially in remote and unserved areas, catering for the education needs of socio-economically, physically and geographically disadvantaged children from the poorest families</li> <li>&gt; supplement government efforts through providing a second chance for children of the poor for primary education</li> <li>&gt; develop capacity of rural secondary school teachers</li> <li>&gt; create an environment that facilitates and values of good teaching and learning in secondary schools.</li> </ul>
	Solomon Islands: Support to the Solomon Islands education sector	Value: Not included Years: 2010–12 Goal: To support the Solomon Island Government through a sector-wide approach. The National Education Action Plan) 2010–12 under the Education Strategic Framework 2007–15, has three strategic goals: <ul style="list-style-type: none"> <li>&gt; to achieve equitable access to education for all people in the Solomon Islands</li> <li>&gt; to improve the quality of education in the Solomon Islands; and</li> <li>&gt; to manage resources efficiently and effectively.</li> </ul>	The Education Sector Program has been implemented since 2004, mainly with European Union and New Zealand support, and Australia would therefore be joining an existing and well-established program.  Given that the program has been operating for a considerable period one of the challenges faced by the Australian team was making judgements as to what material to incorporate into the package given the substantial existing documentation.
	Philippines: BEAM-ARMM Alternative Delivery Model (ADM) Project	Value: \$49.4 million Year: 2012–17 Goal: To contribute to the alleviation of poverty and the emergence of a sustainable peace.	The ADM will provide 'catch-up' learning opportunities for pre-school and elementary school children in remote and poor communities without access to government schools. It will establish 300 elementary community schools and support at least 1128 pre-school classes, benefitting about 42 810 children.
	Philippines: Muslim and Indigenous	Value: \$20 million Years: 2011–14	The Philippines Government and the Australian aid program are proposing a flexible response to the specific challenges for the Muslim and IP communities through a program of activities to be

	Peoples (IP) education program	Goal: To improve equitable access to and quality of education for boys and girls in disadvantaged IP and Muslim communities.	funded by a grant of \$20 million over 3 years. The objective of the program is to provide better access to an appropriate, policy driven, sustainable and quality education for boys and girls in Muslim and IP communities, stimulating a community led demand for education services.
<b>Health</b>	Indonesia: Australia-Indonesia Partnership for Maternal and Neonatal Health (MNH)	Value: \$46,000,000 Years: 2008-11 Goal: To ensure selected provincial and district governments have mechanisms in place to manage national, local and donor resources to achieve national target levels for priority indicators.	The partnership will have three components: <ul style="list-style-type: none"> <li>&gt; service delivery and community engagement</li> <li>&gt; health systems support</li> <li>&gt; system reforms in performance and accountability.</li> </ul> The partnership will provide funding for provincial and district government work plans for activities designed to reach MNH program targets.
	Bangladesh: Design Summary and Implementation Document: Australia's Support to the Bangladesh Health, Population and Nutrition Sector Development Plan (HPNSDP)	Value: \$72.4 million Years: 2011-16 Goal: To ensure quality and equitable health care for all citizens by improving access to and use of health, population and nutrition services.	This program is supported by development partners under sector-wide approach mechanisms. Australia's assistance towards the HPNSDP will be a contribution to a pooled funding mechanism together with like-minded donors.
	Solomon Islands: Support to the Solomon Islands health sector	Value: \$71 million Years: 2012-16 Goal: To achieve improved central and provincial management processes; sustainability of financial support; and better health service performance.	This initiative will support the health sector-wide approach to strengthen Solomon Islands Ministry of Health and Medical Services' leadership capacity, outcome focus, public financial management and health information systems.
	PNG: PNG Health System Capacity Development Program (HSCDP)	Value: \$60,000,000 Years: 2011-15 Goal: To strengthen key partner performance, functions and systems, and incentives within PNG's health system to better deliver rural services (with a particular focus on five provinces).	HSCDP aims to deliver the majority of its support at the subnational level, with modest support to national functions. Provincial support will comprise approximately 75% of the HSCDP operational budget. Support to national functions will comprise the remaining 25%.
	Vietnam: Vietnam delivering better health initiative	Value: \$22 million Years: 2009-11 (phase 2) Goal: To enable the Vietnam Government to coordinate, manage and finance the health sector more effectively.	The initiative has three components: <ul style="list-style-type: none"> <li>&gt; Human resources (HR): Improve the quality, efficiency and equity in health service delivery through addressing selected health human resource issues in partnership with the Asian Development Bank</li> <li>&gt; Health financing (HF): Improve equitable and affordable access to health care in partnership with the World Bank</li> <li>&gt; Institutional partnerships: Improve the Vietnam health sector's evidence-based approach to HR and HF policy development, implementation and monitoring and evaluation through sustainable partnerships between Australian and Vietnam institutions.</li> </ul>

	Vietnam: Health Human Resources Sector Development Program	Value: \$11 million (Aus. component) Years: 2008–15 Goal: To improve health status and progress towards the health-related MDGs and Vietnam development goals.	The program loan will support key policy reform actions in health workforce management and financing; and the project loan will finance investments directly linked to and supportive of the policy actions.
<b>Infrastructure</b>	Indonesia: Design Summary and Implementation Document Water and Sanitation Initiative (WSI)	Value: \$300 million Years: 2009–11 Goal: To improve the living standards of the poor by improving their access to more effective and sustainable water and sanitation services thereby contributing to the Indonesian Government's achievement of MDG Goal 7.	The WSI was announced by the Australian Government in December 2008. Its core objectives are to: <ul style="list-style-type: none"> <li>&gt; expand access to water supply and sanitation services, particularly for the poor, women, and children in schools</li> <li>&gt; make water and sanitation services more sustainable by supporting sector reform and capacity building</li> <li>&gt; improve the health and quality of life of the poor and vulnerable by increasing their understanding of good hygiene practices, as well as by expanding their access to water supply and sanitation services.</li> </ul> <p>The approved funding for WSI is \$300 million, of which \$100 million will be channelled through multilateral development agencies and \$200 million to bilateral country programs, including Indonesia.</p>
	Philippines: Provincial Road Management Facility (PRMF)	Value: \$100 million Years: 2009–13 Goal: To increase economic growth and improve public access to infrastructure and services in southern Philippines.	The PRMF has two main components: <ul style="list-style-type: none"> <li>&gt; Capacity building for road sector planning and management: with the intended intermediate outcome that provinces have institutional, financial, operational, planning and management capacity to develop and implement road sector plans in support of broad-based sustainable social and economic development.</li> <li>&gt; Road network rehabilitation and maintenance: with the intended intermediate outcome that provincial roads are being rehabilitated and sustainably maintained on an annual basis.</li> </ul>
	PNG: Transport Sector Support Program Concept Design Document	Value: Not specified <sup>57</sup> Years: 2006–11 Goal: To contribute to improved governance and performance in PNG Government's delivery of transport infrastructure services in support of broad-based economic growth through a flexible and responsive program of activities in a manner that fosters transition from external to internal funding.	This initiative would be achieved through 4 components: <ul style="list-style-type: none"> <li>&gt; Line agency public sector reform and governance: To support operational reform in the transport sector agencies through improved public administration and sector coordination</li> <li>&gt; Strengthened central agency support: To strengthen linkages between the transport sector agencies and central agencies so that service delivery and reform programs are actively supported</li> <li>&gt; Provincial transport services: To support improved performance of provincial, district and local-level governments to deliver transport services in selected locations</li> <li>&gt; Prioritised transport asset maintenance: To support delivery of an affordable, contestable and prioritised national transport network.</li> </ul>

<sup>57</sup> This concept design does not stipulate the level of Australian financial support for TSSP, because this will depend entirely on the PNG Government's commitments on a year-by-year basis. However, it is suggested that Australia's financial commitments could be similar to expenditures it has made in recent years (\$50–60 million per year).

**Table A3 Sample initiatives for review of evaluations**

Sector	Country: evaluation	Initiative value, years and goal	Initiative description
Education	Indonesia: Australia–Indonesia Basic Education Program (AIBEP)	Value: \$387.6 million (\$200 million loan. \$187.6 million Grants) Years:2006–10 Goal: To support the Indonesian Government in improving equitable access to higher quality and better governed basic education services in the targeted, disadvantaged areas.	AIBEP comprised a loan and grant for expansion of access; and grant financed training and capacity development.
	Bangladesh: Support to BRAC Education Program (BEP)	Value: \$39,165,497 Years: 2007–11 Goal: To make a significant contribution to the achievement of education for all in Bangladesh.	BRAC's Education Program includes a wide-reaching range of components, interventions and innovations. These include non-formal primary education (some of it implemented through over 500 partner NGOs), pre-primary education, a small number of BRAC-run formal primary schools, a program of support to secondary education, an adolescent development programme and community learning centres. The BEP is recognised in the Bangladesh Government's Sixth Five-Year Plan 2010–15.
	Philippines: Strengthening the Implementation of Basic Education in Selected Provinces in the Visayas (STRIVE)	Value: \$20.3 million Years: 2005–07 Goal: To develop, support and strengthen education management and learning support systems for improved access to quality basic education.	STRIVE Stage 2 was designed as a vanguard initiative which aimed to develop and test support systems for school-based management, human resources development specifically in-service education and training and the equitable provision of learning resource materials. STRIVE Stage 2 was envisioned to be one of the strategic avenues to support the successful implementation of Basic Education Sector Reform Agenda (BESRA).
	Indonesia: Nusa Tenggara Timur Primary Education Partnership (NTTPEP)	Value: \$27,415,571.82 Years: 2004–08 Goal: To improve the quality of education as part of Indonesian Government reforms.	NTTPEP was a bilateral, stand-alone project. To improve education service delivery, the partnership implemented a comprehensive, highly targeted capacity building program, utilising the existing cluster groups of teachers, supervisors and principals.
	PNG: Education Capacity Building Program (ECBP); Basic Education Development Project (BEDP); Primary and Community School Textbook Distribution (Textbook)	Value: \$161 million (total for all 3 split as follows: ECBP \$104.25 million; BEDP \$49.6 million and Textbooks \$7.467 million) Years: ECBP 2004–09 BEDP 2004–10 Textbook 2009–10 Goal: To strengthen the capacity of the national education system at the national, provincial and district agency levels in order to achieve quality improvements in education service delivery. The BEDP goal is to contribute to the effective implementation of quality and equitable primary schooling in PNG.	ECBP provided technical assistance and operating expenses for a wide range of activities supporting the national Department of Education, schools and other education sector institutions. BEDP worked with provincial governments, school Boards of Management and communities to build capacity to manage infrastructure provision and maintenance, providing grants to nearly 3000 primary and community schools and new infrastructure for over 300 schools (out of about 3500 such schools in the country). Textbook bought and distributed 539 000 text books, providing a set of basic books to every community and primary school in the country.
Health	Solomon Islands:	Value: \$21.8 million Years: 2001–07	The three components of the project sought to > further develop and strengthen the capacity of

Ministry of Health Institutional Strengthening Project (HSIP)	Goal: To improve the health of the Solomon Island's population by strengthening the management and operational capacity of the Solomon Islands health sector.	<p>senior Headquarters staff in core management areas</p> <ul style="list-style-type: none"> <li>&gt; improve the efficiency and effectiveness of primary, preventive and promotive service delivery</li> <li>&gt; develop the National Referral Hospital's role as the major acute referral hospital for the Solomon Islands and improve the efficiency and effectiveness of the hospital's service delivery.</li> </ul> <p>The project was delivered through traditional project aid, delivered through an Australian managing contractor and supplemented by a significant Health Sector Trust Account used to purchase essential drugs and supplies and in the early years to pay staff salaries.</p>	
Vietnam: Avian Influenza Joint Program (AIJP)	<p>Value: Phase II US\$17 647 992 (pooled funding)</p> <p>Years: 2007–11 (phase II)</p> <p>Goal: To reduce the health risk to humans from avian influenza by controlling the disease at source in domestic poultry, by detecting and responding promptly to human cases, and by preparing for the medical consequences of a human pandemic.</p>	<p>AIJP was developed by the Vietnamese Government together with UN Agencies to address the immediate emergency support needed to control the current outbreak. A two-phase approach was agreed at the outset. The emergency phase, or phase I, of the AIJP was implemented from October 2005 to July 2006 and its objectives were mostly achieved while 95% of budgeted assistance was delivered. The second phase continued the implementation, and included support for planning and longer-term capacity building to respond to emerging infectious diseases in animals and humans.</p>	
<b>Infrastructure</b>	Indonesia: Third Water and Sanitation for Low-Income Communities Project (PAMSIMAS); Water Supply and Sanitation Policy Formulation and Action Planning (WASPOLA)	<p>Value: \$54.5 million (PAMSIMAS) \$10 million (WASPOLA)</p> <p>Years: 2006–14 (PAMSIMAS) 2009–13 (WASPOLA)</p> <p>Goal: To increase the number of low-income rural and peri-urban populations accessing improved water and sanitation facilities and practicing improved hygiene behaviours as part of Gol's efforts to achieve the water and sanitation MDGs (PAMSIMAS). To improve access for Indonesians, particularly the poor, to adequate and sustainable water supply and environmental sanitation services, contributing to increased economic growth (WASPOLA).</p>	<p>PAMSIMAS is a national Indonesian Government program partially funded by a World Bank loan and Australia co-financing.</p> <p>The WASPOLA Facility is an Australian initiative implemented by World Bank's Water and Sanitation Program and the Indonesian Government.</p>
Vietnam: Three delta towns water supply and sanitation project: Independent Completion Report (2008)	<p>Value: \$78,572,000</p> <p>Years: 2001–08</p> <p>Goal: To improve the welfare of residents of Bac Lieu, Ha Tien and Sa Dec urban wards and communes by rehabilitating and extending water supply, drainage, wastewater and solid waste management facilities and services and to develop the capacity of local institutions and community groups to manage these systems on a sustainable basis.</p>	<p>The project has three main components covering the three towns, with a fourth component in project management. The objective of each town component emphasised that infrastructure improvements should be closely integrated with community development and institutional development subcomponents.</p>	
Philippines: Provincial Road Management Facility (PRMF)	<p>Value: \$100 million</p> <p>Years: 2009–14</p> <p>Goal: To promote economic growth and improve public access to public services in the Southern Philippines.</p>	<p>PRMF is a bilateral grant over 5 years that aims to rehabilitate and maintain a core road network in selected provinces and strengthen provincial government systems.</p>	

## Fieldwork case study initiatives

The sample of initiatives selected for fieldwork case studies was selected to demonstrate the diversity of ways, including new ways, in which Australian support is engaging in decentralised contexts. (Table A4). Further details of the programs themselves are contained in the main report.

**Table A4 Initiatives selected for fieldwork case studies**

Sector	Program	Descriptions
<b>Health</b>	Indonesia: Australia–Indonesia Program for Maternal and Neonatal Health	Health service delivery focus, working in 14 districts in one province in eastern Indonesia
	PNG: Support to provincial health authorities	Support to three pilot 'provincial health authorities' who are responsible for both hospitals and health centres at local level
<b>Education</b>	PNG: Specialised support provision in school infrastructure	Provision of school infrastructure in all 20 provinces through an external contractor
	Philippines: Strengthening the Implementation of Basic Education in Selected Provinces in the Visayas	Support at subnational level to the national education reform process which involves deconcentration of education management to regions and divisions
<b>Infrastructure</b>	Indonesia: Water and Sanitation Hibah	Demand-led support to local governments to invest in water and sanitation services for the poor through an output-aid modality
	Philippines: Provincial Road Management Facility	Support to provincial authorities and national department for local government to manage maintenance of roads

## Governance programs

The following section provides an overview of the governance programs that have been supported by the Australian aid program in the three focus countries of the evaluation. This information is provided to assist the reader contextualise the sector-specific initiatives and country case studies discussed in the evaluation report. The subsections are:

- › governance initiatives in Indonesia
- › governance initiatives in the Philippines
- › governance initiatives in PNG.

## Summary of Australian aid-supported governance programs in Indonesia

The Australian Government has supported 11 governance programs in Indonesia from 2002 to the present. The initiatives are presented below according to governance program type. Most of the programs are listed according to a single category. Three initiatives are listed twice (ACCESS, LOGICA II, and AIPD) under both support to subnational authorities and support for local area development.

### Support to national decentralisation policy reforms:

- › SMERU Research Institute (an independent not-for-profit institute for research and public policy studies): 1998–2013
- › Government partnerships fund: 2010–15

- › Australia–Indonesia partnership for justice program: 2011–15
- › Australia–Indonesia partnership for electoral support: 2011–15.

**Support for subnational authorities:**

- › Australian Community Development and Civil Society Strengthening Scheme (ACCESS) Phase I: 2002–08
- › Local Governance Innovations for Communities in Aceh, Phase II (LOGICA 2): 2009–11
- › Australia-Indonesia Partnership for Decentralisation (AIPD): 2010–15
- › Provincial Governance Strengthening Project (PGSP): 2011–13.

**Support for local area development:**

- › Australian Community Development and Civil Society Strengthening Scheme (ACCESS) Phase I: 2002–08
- › Australia-Nusa Tenggara Assistance for Regional Autonomy (ANTARA): 2005–10
- › World Bank Indonesia’s Program Nasional Pemberdayaan Masyarakat (National Program for Community Empowerment): 2007–11
- › Local Governance Innovations for Communities in Aceh, Phase II (LOGICA 2): 2009–11
- › Australia-Indonesia Partnership for Decentralisation (AIPD): 2010–15
- › Australian Community Development and Civil Society Strengthening Scheme (ACCESS) Phase II: 2008–present.

## Summary of Australian aid-supported governance programs in the Philippines

The Australian Government has supported 10 governance programs in the Philippines from 1999 to the present. Again, the initiatives are presented below according to governance program type. Two initiatives are listed twice: the Partnership for Economic Governance Reforms has program elements that support both national and subnational reform and the Philippines-Australia Local Sustainability Program supports both subnational reform and local area development.

**Support to national decentralisation policy reforms:**

- › Philippines–Australia Human Resource Development Facility (PAHRDF): 2004–09
- › Partnership for Economic Governance Reforms (PEGR): 2005–09
- › Local Governance Development Program (Phase I): 2006–07
- › Australia World Bank Philippines Development Trust Fund: 2009–16
- › Philippines–Australia Human Resource and Organisational Development Facility: 2010–15
- › Philippines–Australia public financial management program: 2011–16.

**Support for subnational authorities:**

- › Philippines–Australian Local Sustainability Program (PALS): 1999–2009
- › Local Governance Development Program (Phase I): 2006–07
- › Provincial Road Management Facility: 2009–14
- › The Asia Foundation partnership Philippines: 2011–14.

**Support for local area development:**

- › Philippines–Australian Local Sustainability Program (PALS): 1999–2009

- › Philippines–Australia Community Assistance Program (PACAP): 2005–10

## Summary of Australian aid-supported governance programs in Papua New Guinea

The Australian Government has supported 14 governance programs in PNG from 2003 to the present. The initiatives are presented below according to governance program type.

### **Support to national decentralisation policy reforms:**

- › PNG–Australia Law and Justice Partnership: 2009–14
- › PNG–Australia Economic and Public Sector Program: 2009–15
- › Strongim Gavman Program: 2009–15
- › Australia Awards in PNG: 2009–15
- › Economic and Public Sector Governance Twinning Initiative: 2010–13
- › PNG–Australia Memorandum of Understanding on Cooperation in the Transport Sector: 2010–13
- › Implementing the Papua New Guinea Liquefied Natural Gas Project Joint Understanding: 2010–13
- › Electoral Support Program: 2011–13

### **Support for subnational authorities:**

- › PNG Sub-National Initiative: 2003–07
- › Sub-National Strategy: 2007–12
- › Non-State Actors Community Program–Strongim Pipol Strongim Nesen: 2011–13
- › Provincial and Local Level Governments Program: 2011–15.

### **Support for local area development:**

- › CARE Integrated Community Development Program: 2009–13
- › Church Partnership Program Phase 2: 2010–16.

## Appendix 3 Review of country strategies

This appendix provides the detailed review of country strategy documents. As background, the status of decentralisation in the six countries is shown in Table A5. Each country has followed a different path, with variation in the degree of control retained at central level, the type of decentralisation, the rate at which the reform has been pursued and the degree to which subnational government or authorities are responsible for service delivery.

**Table A5 Status of decentralisation across six recipient countries**

Country	Status of decentralisation	Subnational roles in service delivery
Indonesia	Recent effort to strengthen decentralisation in 2000; Devolution as type of administrative decentralisation Overall process of decentralisation = <b>'Big Bang'</b> <sup>333</sup>	Provincial and local governments have responsibility for service delivery, but ability to fulfil these functions is limited by human and financial capacity <sup>334</sup>
PNG	Recent effort to strengthen decentralisation in 1995; <sup>335</sup> Devolution as type of administrative decentralisation <sup>336</sup> with some elements of deconcentration Overall process of decentralisation = <b>'Gradual'</b>	Primary responsibility for the delivery and financing of most public services lies with the provincial and local governments <sup>337</sup>
Philippines	Recent effort to strengthen decentralisation in 1991; Devolution as type of administrative decentralisation Overall process of decentralisation = <b>'Big Bang'</b> <sup>338</sup>	Services in healthcare, social services, public works, education, and housing devolved to local level <sup>339</sup>
Vietnam	Recent effort to strengthen decentralisation in 1994; Deconcentration as type of administrative decentralisation <sup>340</sup> Overall process of decentralisation = <b>'Gradual'</b> <sup>341</sup>	Education, health and social welfare are largely provided by provincial and local governments <sup>342</sup> but devolving authority and resources to local levels has been resisted <sup>343</sup>
Solomon Islands	Effort to strengthen decentralisation in 1980s; <sup>344</sup> Political decentralisation without corresponding devolution of adequate powers, functions, staff, budgets and clear lines of accountability and adequate support and supervision from the National level <sup>345</sup> Overall process of decentralisation = <b>'Gradual'</b>	Most service delivery remains the responsibility of central government due to lack of provincial capacity <sup>346</sup>
Bangladesh	Recent effort at strengthening decentralisation in 1975 <sup>347</sup> ; Deconcentration as type of administrative decentralisation <sup>348</sup> Overall process of decentralisation = <b>'Gradual'</b> <sup>349</sup>	Local government currently plays a limited role in service delivery, particularly in health, education and water and sanitation

### Indonesia

The Indonesia country strategy (2008–13) provides good coverage of decentralisation and Australia's response. It provides analysis of the decentralised context, description of challenges faced at subnational level and articulates strategies to address issues arising in this current context. The strategy also takes into account Australia's role as a small donor within a middle-income country and the need to consider carefully the value-add of Australian support. The analysis concerning service

delivery covers how responsibility has been devolved to provincial and local governments but that *'this increase in authority has not been matched with the human capacity to delivery, or with the financial discipline, accountability and the infrastructure required for effective service delivery.'*<sup>350</sup> The strategy recognises that Australia's support should use *'local systems that deliver larger Indonesian programs'*<sup>351</sup> towards improving service delivery, *'particularly at decentralised level of government.'*<sup>352</sup> Different subnational roles are identified within particular sectors, for example: *'Under decentralisation reforms, responsibility for delivering public education is shared between the national, provincial and district levels of government.'*<sup>353</sup> Capacity gaps at subnational level are also identified. For example, concerning health it is noted that *'under decentralisation, local governments struggle to find, fund and successfully manage the human resources required to implement their mandate.'*<sup>354</sup>

The country program strategy clearly articulates an approach to work in selected provincial and local governments to enhance capacity and public financial management,<sup>355</sup> and dedicate resources to increase knowledge of partner systems and the decentralised environment *'drawing on analysis of Indonesian systems (budget, public expenditure management, decentralisation and capacity), ailing service delivery and growth.'*<sup>356</sup> The strategy also describes the commitment to a 'decentralisation support facility' with aims to improve alignment and coordination of assistance, strengthen evidence-based policy through use of financial incentives<sup>357</sup> and build capacity of citizens to demand better governance.<sup>358</sup> Lastly, the strategy articulates a concurrent focus on national and subnational levels, and support for service delivery in provinces with high levels of poverty.<sup>359</sup>

## PNG

Decentralisation in PNG involves devolution with some elements of deconcentration. The 1995 reforms maintained a decentralised system, but recentralised political power. Provincial governments have responsibilities for basic rural services in education, health, village courts and some transport infrastructure. The national level retains most law and justice responsibilities, hospitals, major transport infrastructure and upper education. The substantial constituency funding provided to district members of parliament bypasses provinces and complicates decentralisation. In some provinces, the entire health sector is covered by provincial health authorities, and many areas have a significant church health and education presence.<sup>360</sup>

PNG strategy documentation contains some mention of decentralisation. The country program strategy of 2006–10<sup>361</sup> was superseded by the Partnership for Development Agreement in 2008. This agreement, with accompanying schedules for four priority outcomes in 2012, comprises the current strategic framework guiding Australian support to PNG.<sup>58</sup> The current Partnership Agreement and accompanying schedules has limited reference to subnational roles in service delivery.

The Partnership Agreement of 2008 includes a commitment to contribute to improved governance and build *'effective national institutions and the public sector workforce capacities.'*<sup>362</sup> Yet the agreement also suggests that choices need to be made between governance and service delivery improvements in its advice to *'balance governance improvements with service delivery improvements.'*<sup>363</sup> The one reference to subnational government concerns the need for *'focus on subnational levels of government and service delivery'*<sup>364</sup> and there is no reference to decentralisation.

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<sup>58</sup> The previous country program strategy contained clear recognition of the decentralised system of government with a pillar of the strategy to improved service delivery and stability, which included strengthening decentralised service delivery.

Of the three relevant schedules related to sectors covered in this evaluation, health and education contain the most detail on the role of subnational government. It was absent from the schedule on transport infrastructure, understandably given its focus on national roads.

The schedule on education contains a full annex describing the distribution for roles and responsibilities for education at different levels of government, however it is not clear how Australian support (aside from through separate governance support) addresses the needs of these different roles and responsibilities, particularly those at subnational level. Instead support is to be focused on *'education subsidies, infrastructure and materials.'*<sup>365</sup> It is not clear how this approach is responsive to the decentralised context, or to evidence such as the findings of reviews about constraints in subnational budgets and capacity.<sup>366</sup>

The schedule on health and HIV/AIDS by contrast does include clear direction on how Australia support will address the decentralised context, including *'technical assistance to strengthen provincial and district capacity'*<sup>367</sup> and supporting critical reforms through *'financing to provincial health authorities.'*<sup>368</sup> Also, there is reference to *'support to civil society organisations, churches and commits to increase demand for better service delivery.'*<sup>369</sup> In addition, the schedule confirms that 75 per cent of technical assistance deployed to support implementation of the National HIV and AIDS Strategy 2011–15 will be targeted at subnational level.<sup>370</sup>

## Philippines

The Philippines Aid Program Strategy 2012–17 contains detailed coverage of decentralisation and role of subnational government in service delivery. The strategy has one of its strategic objectives to strengthen basic services for the poor, and includes a cross-cutting governance objective: *'Supporting the foundations for accountable, transparent, effective and inclusive governance.'*<sup>371</sup> This strategy provides analysis of key issues arising as result of decentralisation. For example, it notes that *'weak governance persists at both the national and local levels. Local governments account for almost a third of total government expenditure and deliver most basic services.'*<sup>372</sup>

The strategy notes specific problems with current decentralised service delivery: *'1. a high degree of fragmentation among local governments—there are more than 43 000 local government units across the country; 2. a significant mismatch between local government responsibilities and their ability to fund public services; 3. weak accountability for local government performance.'*<sup>373</sup> The strategy also provides clear guidance on how Australian support will be targeted to address two of these major problems; funding at local level and accountability for their performance.

Finally, it is the only strategy reviewed here that refers to the political cycle, and notes under the risk management area that the 2013 elections *'could see changes in the political landscape at subnational and legislative levels, which may impact on the current administration's ability to deliver on its [decentralisation] reform agenda.'*<sup>374</sup>

## Vietnam

The Australia–Vietnam Joint Aid Program Strategy 2010–15 has limited mention of decentralisation or subnational roles. It should be noted that this strategy has a lesser focus on service delivery than the three countries discussed above, however the strategy does focus on water and sanitation as a basic service, and infrastructure development within its focus on economic integration.

The strategy does note governance as a cross-cutting theme for sector areas: *'effective governance—by helping the Vietnamese Government modernise its institutions so they can support the next stage*

of the country's development (institutional strengthening is a cross-cutting issue for all of Australia's sector programs).'<sup>375</sup> Within water and sanitation, it is noted that: 'Australia will also continue to focus on improving financial management, planning and oversight in this sector.'<sup>376</sup> However, there is no analysis or discussion of capacity, authority or financial management at subnational levels. The only mention of this area is under 'risk management' where it is noted that: 'weak capacity in certain parts of government, including at local level, may also inhibit the progress of critical reforms'<sup>377</sup> and that fiduciary risk assessments will be undertaken at national and subnational levels.

## Solomon Islands

Historically there have been initiatives to legislate for greater provincial autonomy which were not implemented due to changes in governments or political instability. Hence, while there has been some devolution of authority and control from central to provincial government, there has been no transfer of powers, functions, staff or budgets, and service delivery remains the responsibility of central government.<sup>378</sup> Service delivery to rural areas is generally financed by central government and includes roles played by provincial government, churches, donors and NGOs especially for health and education.<sup>379</sup>

The Solomon Islands–Australia Partnership for Development, which was signed July 2013, sets out cooperation to achieve objectives of the Solomon Islands National Development Strategy 2010–20 and national sectoral plans. Focus is directed towards building 'capacity for effective national institutions'<sup>380</sup> and while the partnership 'recognises that over 80 per cent of the population live in rural areas'<sup>381</sup> there is no mention of subnational contexts, nor the role of provincial governments in development programs. Priority outcomes defined in the Partnership for Development include the need to 'balance government improvements with service delivery improvements',<sup>382</sup> placing the two in tension, rather than reinforcing one another. Subsequent schedules for priority outcomes might be expected to discuss decentralisation and subnational roles but were not yet prepared.

## Bangladesh

The Australia–Bangladesh Aid Program Strategy 2012–16 contains limited mention or analysis of decentralisation or the role of subnational authorities and their relevance for service delivery. In Bangladesh, although decentralisation has been in process for a long time, local government currently plays a limited role in service delivery, particularly in health and education,<sup>383</sup> the two core sectors in which Australian support is directed. The mode of decentralisation so far has largely been in the form of deconcentration,<sup>384</sup> and subnational government accounts for only 3–4 per cent of total government expenditure.<sup>385</sup>

The country program strategy acknowledges the need for Australia 'to more effectively support government policy reforms and ensure that programs operating outside of the government remain closely linked to its priorities and long-term goals.'<sup>386</sup> It is noted that Australia will 'work to strengthen governance systems that support service delivery so gains are sustainable.'<sup>387</sup> However, the strategy does not contain analysis of the current decentralisation process or issues around capacity of authorities at subnational level, nor question how the commitment to significant support for: 'service delivery through local civil society partners'<sup>388</sup> is (or is not) related to strengthening partner government and local authorities.

# Acronyms and abbreviations

AIPD	Australia-Indonesia Partnership for Decentralisation
AIPMNH	Australia-Indonesia Partnership for Maternal and Neonatal Health
ANAO	Australian National Audit Office
BEDP	Basic Education Development Project
BESRA	Basic Education Sector Reform Agenda
CAPF	comprehensive aid policy framework
DepEd	Department of Education, Philippines
DFAT	Australian Government Department of Foreign Affairs and Trade
DILG	Department of the Interior and Local Government
HCDP	Health Capacity Development Program
IndII	Indonesia Infrastructure Initiative
MDG	Millennium Development Goals
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MoPW	Ministry of Public Works
NGO	non-government organisations
ODA	Official development assistance
ODE	Office of Development Effectiveness
PDAM	local government-owned water company, Indonesia
PHA	provincial health authorities
PNG	Papua New Guinea
PRMF	provincial road management facility
SPF	service provision facility
WASH	water, sanitation and hygiene

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