Strengthening the Effectiveness of Australia Aid to Provinces, Districts and Local Governments and Administrations: Concept Paper for a Sub-National Initiative

Purpose

The Australian Government aid program is focussed on helping the Government of Papua New Guinea to deliver better services. Central agency engagement has increased the focus on integrity of public expenditure management while sectoral program support has assisted national agencies in their capacity to deliver services. In Papua New Guinea's decentralised system, the importance of sub-national governments in achieving good governance and effective service delivery outcomes is fundamental.

The Sub-National Initiative aims to address our engagement with and assistance to sub-national governments to build on the aid program's work at central and line agency level. It is about targeted, tailored engagements that include incentives to support performance and achieve development outcomes. Continued analysis and pilot assistance will provide a continuous learning context to inform a strategic policy framework that will guide the Initiative over the medium term.

Background

The decline in service delivery in PNG, particularly to the rural poor, arguably represents the single greatest challenge to the Government of Papua New Guinea and its development partners. Australia is now moving decisively to provide substantial support to PNG central agencies to improve public expenditure management and public sector management. This support is critical to providing the overall national framework for the enhanced functioning of Government, and ultimately improved service delivery.

It is increasingly clear, however, that sub- national government mechanics are also constraining improvements to service delivery. While work has occurred at the sectoral level in provinces, increasing consideration is being given to how to enhance sub-national governments more directly. It is this gap and the strategic opportunity it provides that this Initiative aims to address.

Part of the challenge lies in the poor implementation of the 1995 Organic Law on Provincial and Local Level Government, which provides for provincial and district administrations as well as provincial and local political governments. Rather than leading to the efficiency and governance benefits of a decentralised system (local input and coordination leading to greater accountability and civil participation in decision-making), the laws numerous interpretations only complicate policy implementation and accountability.

The World Bank Low Income Countries Under Stress (LICUS) work provides a context for the Initiative. This includes using mechanisms other than central government, and an iterative process with reform opportunities to facilitate policy and system change while improving essential service delivery.

Rationale

Six key factors underpin the case for a significantly enhanced focus on, and engagement with, sub-national government in Papua New Guinea (expanded on in Annex 1, attached):

1. sub national governments have the prime mandate and key role in the financing and delivery of many key services in Papua New Guinea;
2. sub-national governments have substantial resources at their disposal to support service delivery;
3. national government and donor sectoral approaches do not fully address the whole of decentralised government constraints to service delivery;
4. despite weak capacity, the opportunities with the Dept of Provincial and Local Government Affairs should be taken advantage of to support this coordination role;
5. PNG's decentralised structure offers the opportunity to pilot incentives for improving public expenditure management with reform sub-national governments; and
6. buy-in to the debate on PNG's decentralised government and possible reform agendas through partnerships and value-adding.

Sub-National Initiative: Draft Objectives

The objectives of Sub-National Initiative is to improve the ability of sub-national governments to deliver services for broad-based economic growth by:

- providing support to sub-national reform initiatives;
- improving the management of budget, planning and public expenditure at the sub-national level;
- helping to strengthen implementation of PNG's decentralised framework through a consistent donor approach; and
- contributing to a comprehensive and informed analysis to underpin any structural changes to the financing or management of intergovernmental relations.

Implementation

It is intended that the assistance would be integrated within the processes and systems of the Government agencies involved, rather than in the form of a classic project. This requires a flexible and iterative process to develop and implement the program. Key to implementation is an **effective engagement approach to enable national agencies, sub-national governments and development partners to actively interact on policy issues**.

It is proposed that the program of support would be informed by a **strategic coordination group** that would consist of representatives from relevant GoPNG agencies such as the Department of Provincial and Local Government Affairs (DPLGA), Department for National Planning and Rural Development (DNPRD) and the National Economic and Fiscal Commission (NEFC), some provincial governments, and AusAID (other development partners could also be involved while the role of other central agencies would be determined by the Central Agencies Coordinating Committee). The function of this group would be to provide high level planning and oversight of the activities of the program, possibly reporting to an existing PNG Government body such as the National Monitoring Authority.

Proposed Sub-National Initiative

The focus of a proposed Sub-National Initiative would contain three main themes:

1. **Support to the key national government agencies responsible for improving sub-national government performance** through a flexible program of technical assistance and financial incentives. The program would seek to improve intergovernmental financing arrangements, monitor provincial performance, and coordinate support for more effective and accountable sub-national expenditures. The support would also help GoPNG examine long-term reform of the Organic Law on provinces.

   Linkages to other Central Agencies and the work of the ECP personnel will be a key part of the initiative. Placement of ECP personnel in relevant areas such as the Provincial Budgets Branch of Treasury and relevant areas in Department of Finance will be critical to leveraging the engagement with provinces.

   Support for DPLGA would help coordinate and monitor the range of current national government, provincial government and donor input to improve sub-national government service delivery performance. Continued support to the NEFC will further their analytical work on reforms to financing relationships and systems both between and within various levels of government. Support for the Public Sector Reform Management Unit work on the public sector reform agenda at the sub-national level would also be considered.

2. **Pilot engagement and incentive linked assistance for selected sub-national governments** to improve their public expenditure management. This involves both improving public sector performance (leadership and management practices) and efficiency and effectiveness of their expenditures (planning and resource allocation, budget preparation and execution, accountability practices). Each pilot will be progressively engaged and tailored to individual contexts and available entry points.

   The engagement and assistance will only be with a few provinces, selected on the basis of commitment to pro-reform agendas and/or national interests of the Papua New Guinean and Australian Governments. The engagement would support policy discussion on the sub-national governments' initiatives, providing an opportunity to inform, and be informed by, various initiatives. The assistance will be modest and according to what is affordable to the province over the medium-long term. Incentives for reform implementation will be provided in this context promoting the demonstration of reform outcomes. Lessons from the Incentive Fund, such as a focus on commitment to reform processes as opposed to outcomes will be incorporated.

   Pilots selected for national interest reasons, primarily stability, will engage with both state and not state entry points.

3. **Enhanced coordination and coherence of Development Partner funding to provinces.** In order to strengthen the decentralised government mechanism in PNG, it is necessary to more fully integrate both donor and other development resources with both national and sub-national planning and budgeting priorities. Discussions with JCS partners are already underway, with future joint analysis of the decentralisation issue being considered.

   It is proposed to develop total resource envelopes (of recurrent and all donor flows) to provinces, and integrated medium term and annual activity plans. Analysis and pilots will provide a continuous learning context to test and inform development approaches.

Forms of Assistance and Delivery Mechanisms

The proposed program of support would provide resources in a number of forms at a number of levels, including:

- limited high level strategic technical assistance;
- more extensive technical assistance to support analytical work for reform proposals, and to provide implementation support for national or provincial level reforms;
- limited operational funding to support specific functions; and
- financial support to sub-national governments as incentives for improved performance.

The resources to support this work would be delivered via a range of different existing mechanisms:

- a posted officer could be seconded into DPLGA on a short-term basis to assist in scoping and monitoring of the sub-national pilots;
- PNG Incentive Fund could be tasked with managing any incentive based funding to provinces and managing operational funding. This could link with kina for kina proposals with members discretionary funds as proposed in PNG parliament, revised PNG National Development Charter, and recommendations of the Funds review of its policy stream;
- existing AusAID programs to support initiatives emerging from the program at both national and provincial level as well as with civil society; and
- Advisory Support Facility (ASF) for analytical and implementation support activities. This could include, linking with the ASF strategy for sub-national placements that is currently being proposed, and the extensive central agency support, including DPLGA and NEFC being provided through ASF.

Monitoring

The program would primarily be monitored through use of existing PNG monitoring systems. This includes quarterly review processes, sectoral monitoring indicators, and expenditure and performance reports produced by Treasury and the National Monitoring Authority. In addition, there would be a limited role for an Independent Monitoring Group that would be charged with providing periodic high-level review of the PNG monitoring systems, and the performance of the program and participating agencies. It could monitor impacts of incentives (both intended and perverse) and related risks such as social or stability impacts.

It is recognised that such systems are quite weak at present and will require specific focus, with a linkage to the work in Treasury under ECP, but also directly to the National Monitoring Authority located in the DPLGA. The monitoring of the program will also be linked to the PNG program’s own Monitoring and Evaluation framework currently being developed.

Sub National Initiative - Summary

<table>
<tr><td>Overarching Goal</td><td colspan="3">Strengthening public administration for improved service delivery outcomes</td></tr>
<tr><td>Rationale</td><td colspan="3">The sub national level has extensive responsibilities for service delivery; actions at the Central and Sector Agency level have limitations on service delivery impacts; there is will and desire for reform at the sub national level in certain areas.</td></tr>
<tr><td>SNI Objectives</td><td colspan="3">• Provide support to sub national reform initiatives
• Improve the management of budget, planning and public expenditure at the sub national level
• Help strengthen implementation of PNG's decentralised framework</td></tr>
<tr><td>SNI Strategy</td><td colspan="3">• Pilot engaging in reform opportunities existing at the sub national level
• Help national government respond to the needs/challenges raised by sub national issues
• Promote better consistency of donor activities with PNG's decentralised framework</td></tr>
<tr><td>Key Principles</td><td colspan="3">Public expenditure management; affordability; budget integrity; civil participation; accountability; flexibility; incremental performance based assistance; team approach; stability</td></tr>
<tr><td>Components</td><td>1. National government support</td><td>2. Selected sub national engagement</td><td>3. Consistent approach to decentralisation</td></tr>
<tr><td>Actions</td><td>• Engagement of central agencies (DoF, DoT, DNPM, PSRMU and NEFC) on sub national performance issues facilitated through DPLGA
• Ongoing support for NEFC's Review of Inter Governmental Financing Arrangements (RIGFA)
• Provide high level and senior management assistance to DPLGA including NMA and engagement in areas of national interest
• Support management of pilots through DPLGA</td><td>• Identify entry points
• Engage and reach agreement on ongoing relationship principles
• Help formulate a reform agenda in partnership
• Undertake stocktake and provide tool kit of policy and technical advice, capacity building assistance and limited financial support
• Increase AusAID policy dialogue engagement on resource allocation
• Help support public expenditure management at the sub national level</td><td>• Review donor cohesion with PNG's decentralised framework and make recommendations
• Distil and disseminate understanding of PNG's decentralised framework
• Elicit governments support
• Input into program development (ECP, aid review and JCS)
• Support SN engagement in areas of national interest and post conflict</td></tr>
<tr><td>Mechanisms</td><td>• Placement of technical assistance
• Establish (or use existing) committee to monitor and guide process
• Placement of AusAID resources with DPLGA</td><td>• Reach relationship based agreement with pilots involving sub national entry points, AusAID and DPLGA
• Provide AusAID staff and TA for policy engagement on resource envelope and allocation
• Provide new TA and possibly additional resources as well as a better coordination of existing programs with pilots priorities</td><td>• Provide AusAID and TA resources for cohesion study and decentralisation framework articulation
• Facilitate discussion forums
• Share ongoing learning for SNI pilot engagement and national responses
• Link SNI with other program initiatives</td></tr>
</table>

Guide to Services and Performance Requirements

under the

Provincial Performance Management Initiative

(PPII)

Department of Provincial and Local level Government Affairs (DPLGA)
Supported by DNPM and AusAID
2007

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

Table of Contents

Introduction

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

Roll-out of the PPII

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

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

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

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

This Guide

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

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

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

Ultimate Objective of the PPII:

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

Enabling Objectives:

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

Key Actors :

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

- *National Agencies* to focus on better supporting the Provinces and Districts (through policies, appropriately allocated budgets and technical support) and better coordinate their planning and support

- *Provincial Administrations* to improve their day-to-day administration and become the real drivers of the development process in the province (they have a coordinating role between national and district levels)

- *District and LLG Administrations* to manage frontline services more efficiently and effectively

- *Elected leaders at the Provincial and LLG level* to work more effectively with the administration at various levels, using their allocated grants to support a consistent strategy for improvements in service delivery.

- *Church and civil society agencies* particularly those which access government funding to help deliver services.

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

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

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

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

- Provincial and District Management Teamwork
  - The PA, Deputy PAs, DAs, Division Heads, Advisers and Treasury Officers need to work together and coordinate effectively

- PMT and DMT Relations with Stakeholders
  - The PMT and DMTs need to work effectively with key stakeholders such as Elected Leaders, National Agencies, Civil Society, Private Sector
  - The support of these stakeholders is critical to improved service delivery

- Performance Management
  - Efficient Performance Planning, Monitoring and Reporting (S119 Report) by PMT and DMTs is essential to good performance and accountability

- Managing the Budget and Financial Systems within the Province
  - Effective links between Budget and Plans; integrated budget management, taking account of all sources of funds.

- Managing Human Resources – the Public Service at the Provincial and District levels
  - Effective personnel structure and HR systems: recruitment, induction, training, performance management and staff appraisal…

- Managing the Assets of the Province – equipment, vehicles, infrastructure, including buildings etc
  - Inventory control, acquisition and disposal systems, maintenance programs etc.

Key Principles guiding the Expanded PPII

- **Service Performance Focus**
  Improved service delivery is the primary objective of the PPII

- **Provincial Leadership and Ownership**
  The PPII respects, promotes and strengthens the pivotal role of the provincial administrations in coordinating service delivery through the district administrations.

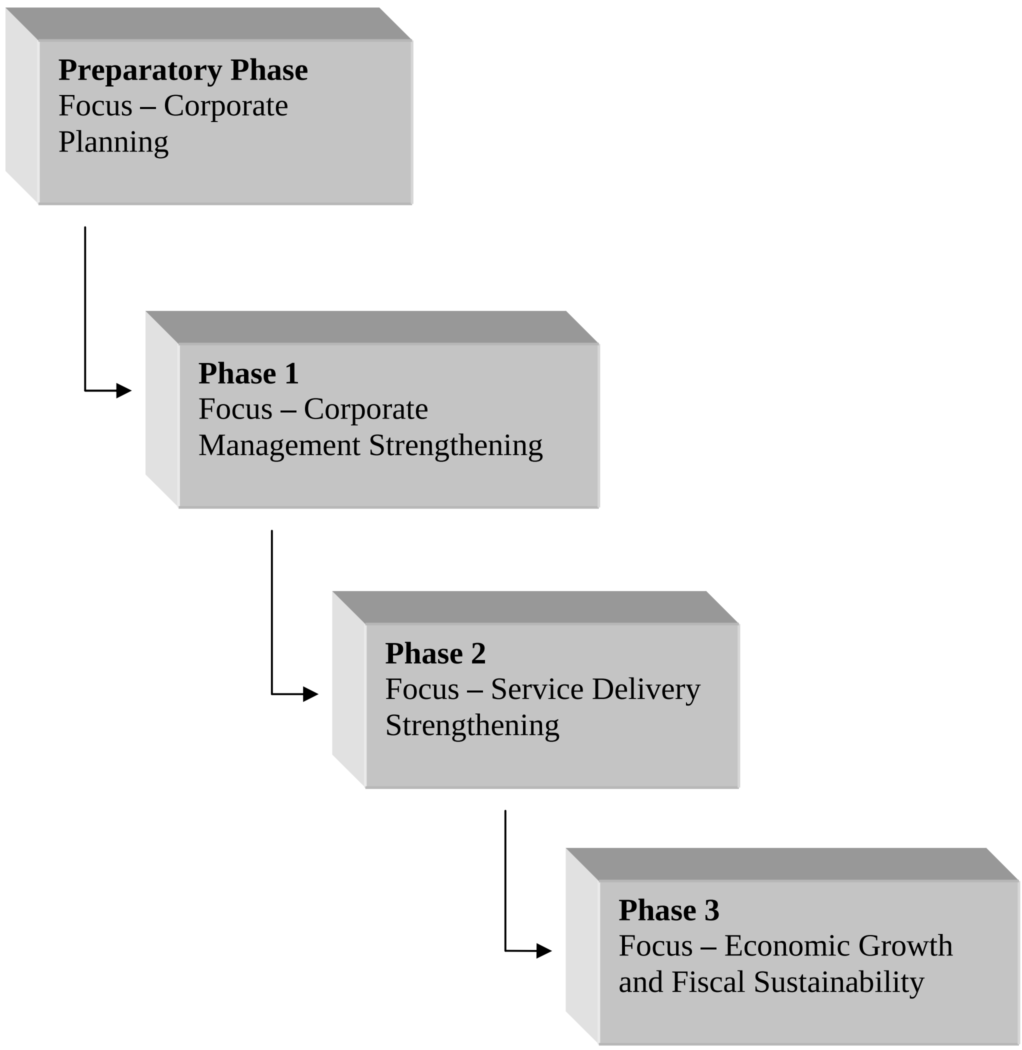
- **District emphasis**
  PPII also recognizes that the district is at the front line of service delivery. Hence the emphasis on strengthening management systems at this level

- **Flexibility and Rolling Design**
  The context and capacity in each province is different. Thus, the programs should not blue-print the support it offers. It must always remain responsive to the needs expressed by each individual province.

- **Whole-of-Government service support**
  The PPII recognizes that provinces need to coordinate various key central and sector agencies' support to the provinces, if service delivery is to be effective.

- **Phasing and Incentive based**
  The PPII is broken into phases, with each phase: (i) focusing on a different emphasis, (ii) supporting a sequential process of capacity development, and (iii) offering provinces incremental incentives for performance.

The Four Phases of the PPII



Summary of Program Support during each of the Phases

Program Support in Preparatory Phase

- Corporate Plan Workshop

- Follow up advisory support from DPLGA and Advisers to assist in finalizing the Corporate Plan, PMT functioning and capacity building program.

Program Support during Phase 1 – Corporate Management and Strengthening Relations with Key Stakeholders
(Focus on Strengthening / Re-Establishing Administrative Systems and Processes, and linkages with key stakeholders)

4 Sub Programs plus Budget Support for Capacity Building

- *Elected Member Sub Program*:
  - Seminars on Roles and Responsibilities of Elected Members
  - Advisory assistance to PECs, JPPBPCs and JDPBPCs to enable them work more effectively with PMTs and DMTs..

- *Corporate Management Sub Program for PMTs and DMTs*
  - Capacity strengthening in key administrative systems such as performance planning and management, policy development, budget and financial management, HR management, asset management.
  - Assisting DMTs and PMTs to work more effectively with each other and with Elected Members.

- *Sub Program on National Agency Support for provinces, districts and LLGs*
  - Policy support through strengthening PLLSMA
  - Technical and program implementation support
  - Corporate management support (finance, HR etc)

- *Sub Program on Strengthening Collaboration between Provincial and District Administrations with Civil Society and the Private Sector*
  - Promoting stronger ties between PMTs and the private sector
  - Promoting stringer ties between PMTs/DMTs/LLGs and Civil Society

- *Budget support* for strengthening corporate management systems/admin facilities (upto K250,000 per annum based on justified needs)

Program Support during Phase 2 - Focus on Service Delivery

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

Program Support during Phase 3 - Focus on Financial Sustainability

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

Types of Assistance Provided within each Phase of PPII

1. **Training Support** (available to all phases)
   - Training Programs and Workshops. Examples of those being considered and developed are as follows:
     - Development Planning and Database Management
     - Elected Leaders' Induction Program
     - LLG Leaders Program
     - Project Management, Preparing Proposals for Donor Funding
     - Budgeting and Financial Management (Internal Revenue)
     - Computer Software skills
     - Preparing Policy Briefs for PEC, JPBPPC, JDBPPC
     - Concept Payroll
     - Frontline Management
     - People Management
     - Communication

   - Distance learning. Work has begun on the following:
     - District Administrator Program

2. **Technical Advisory Support**. This support is available during all phases. This support comprises long and short term advisers who are available on request by the province. The range of expertise available are as follows:
   - Corporate Plan Implementation (long term, in province)
   - Performance Management
   - Finance & Budget Management
   - Planning and Program/Project Management
   - Legal Support
   - Economic Policy
   - Human Resources Management
   - Asset Management
   - Information Technology
   - Process Improvement
   - Monitoring & Evaluation
   - Cooperation with Civil Society

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

3. **Financial Incentives**.
   - Phase 1: Upto K250,000 per annum to finance capacity building
   - Phase 2: Upto K1 million for both capacity building and service delivery

4. Inter-Provincial Exchanges and Sharing of Good Practices

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

Financial Incentive Payments under Expanded PPII

Preparatory Phase: Corporate Planning

- No financial incentives. Only advisory support

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

- *Purpose* is Capacity Building

- *Examples* would range from purchase of computers and local TA for information technology assistance, to financing workshops for DMTs and LLGs.

- Must be based on a clearly presented *Capacity Building (CB) Plan* to the PPII Steering Committee (SC). *Submission* of the CB Plan must be *by the third quarter* of each preceding year

- *Approval* will be made *by the SC in fourth quarter* of the year preceding implementation

- *Approval need not be for the amount requested*. The SC retains the prerogative to disallow specific requested expenditures.

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

- *Purpose* is both capacity building and support for service delivery (either development or recurrent financing requirements)

- *Examples* would range from road or jetty repairs to staff housing at a ward level to facilitate more effective service patrols

- *Eligibility criteria fall into two categories* –
    - *Mandatory Criteria:* (i) the province has utilized the *Function Grants* of the previous year satisfactorily as per criteria and assessment of the NEFC, and (ii) the province has shown satisfactory progress on the *use of the previous year's allocated* PPII incentive payment.
    - *Province-specific Criteria:* will be negotiated between DPLGA and the PMT before April of each preceding year, based on performance progress and milestones to be achieved.

- *Proposed allocation and use of the incentive payment* must be submitted by the PMT to the DPLGA by the end of the third quarter of the preceding year

- *Amount approved will vary* (between K500,000 and K1 million) and will be based on: (i) population size of the province and (ii) provincial performance against agreed performance milestones and criteria.

- *Approval* will be made by the SC in the fourth quarter of the year preceding implementation

- The SC retains the prerogative to *disallow* specific requested expenditures.

Summary of the Phases of the Provincial Performance Improvement Initiative

Phases	Period	Programs	Financial Incentives	Range of TA Available
Preparatory Phase	One to two years	• Corporate Plan Workshop • Follow up Advisory assistance from DPLGA and advisers	Nil	• Corporate Planning • Corp Plan Implementation • HR • Budget & Fin Mgt • Performance Management
Phase 1	One to four years	• Corporate Management Strengthening o Strengthening PMTs, DMTs, LLGs o CP Implementation support, HR, Fin Mgt & Budget, Perf Mgt • Elected Leaders Program o PEC, JPPBPC, JDPBPC, LLGs o Familiarization with OL • National Agencies' Support for Provinces o NMA (PLLSMA), Central Agency Support, Sector Agency Support • Assisting PMTs/DMTs work with Civil Society and Private Sector	Upto K250,000/yr For capacity building To be approved by the Steering Committee (SC) based on a CB Plan submitted each year	• Corp Plan Implementation • HR • Budget & Fin Mgt • Performance Management • Legal • Policy • NMA Adviser
Phase 2	One to four years	• All the Programs of Phase 1 • Strengthening Service Delivery • Economic Policy and planning	K 500,000 to K1 m for CB and Service Delivery To be approved by the SC based on the province meeting agreed eligibility criteria	• All TA of Phase • Gap Analysis in Service Delivery • Planning
Phase 3		• All the Programs of Phases 1 and 2 • Strengthening Internal Revenue	Upto K1 m To be approved by the SC based on the province meeting agreed eligibility criteria	• All TA in Phases 1 & 2 • Internal Revenue

Criteria for New Provinces to enter Phase 1 of the PPII

1. Must have a *Finalized Corporate Plan*
    a. The PMT has undertaken the Corporate Planning Workshop sponsored by DPLGA
    b. The Corporate Plan been approved by the Provincial Administrator and has been presented to the PEC. (PEC endorsement is highly desirable)
    c. Copy of the Corporate Plan has been sent to DPLGA

2. Able to demonstrate that *implementation of the Corporate Plan has begun*
    a. A Corporate Plan Committee is appointed to coordinate implementation
    b. Other sub committees (as required) to facilitate implementation have been appoint and are operating
    c. The PMT has already initiated key actions under the Corporate Plan

3. Has in place a *functioning Provincial Management Team*
    a. It meets regularly;
    b. Meeting minutes are maintained;
    c. Follow up of PMT decisions are tracked and reported

4. Has formally agreed with DPLGA on the *Capacity Building Needs* that it wishes to address with the assistance of DPLGA and AusAID
    a. Has formally written to DPLGA in this regard

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

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

1. Has in place a *functioning Provincial Management Team*
    - It meets at least monthly
    - Meeting minutes are maintained
    - Follow up of PMT decisions are tracked and reported

2. Has in place *functioning District Management Teams*
    - There is a functioning DMT in each district
    - Regular meetings are scheduled and held
    - Meeting minutes are maintained
    - Follow up of DMT decisions are tracked and reported

3. Has *integrated the Planning and Budgeting Processes* so that the annual budget reflects clear links to the 5 year development / Sector plan and MTDS

4. Has an annual budget that *integrates all sources of funding* – national grants, internal revenue, special support grants, GSAT, mining etc

5. Has an annual budget that *clearly indicates allocations* for services district by district

6. An up-to-date *staff database* has been established
    - There is a clear record of *permanent and casual staff* within the province.

7. *Job descriptions* of all positions have been accomplished

8. Has put in place a performance-oriented *staff performance planning and appraisal system*, which focuses on outputs to be delivered by each staff.

9. Has in place a *functioning performance management system* for operations as a whole:

- Sector division heads and the DAs submit their annual program of outputs and objectives to be achieved
- Divisions and DMTs submit monthly progress reports to the PA and DPAs
- Sector and District Programs for the year are printed and available for the PEC, the JPPBPC and the JDPBPCs.
- Sector program work progress (including expenditure) are monitored, by district, and reported to the PMT and PEC every quarter.
- Section 119 Report and Reporting on NMA Indicators for each year is submitted by March the following year.

10. Has been submitting *Section 119 Provincial Performance Report* to DPLGA on a timely basis

11. The PMT provides *regular policy-briefs* and *issue-briefs* to the PEC and the Sector Chairmen of the PEC on relevant issues.

12. An *inventory of all key assets* of the province has been established. In particular:
    - Buildings, equipment, vehicles
    - A system for maintaining the asset register is operational

13. An *asset maintenance program* has been developed and is operational
    - A clear budget is allocated for maintenance
    - Staff are assigned clear maintenance duties

14. An *asset acquisition / procurement policy and procedure* is approved and operational

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

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

Criteria for Provinces to move from Phase 2 to Phase 3 of the Expanded PPII[1]

1. The Province continues to fulfill the *criteria applicable for Provinces to move into Phase 2*
   - This implies basic administrative systems and processes work effectively
   - The Administration works effectively with Elected Members, Civil Society and the Private Sector

2. The Province's *Service Delivery performance meets standards* laid down by the PLSSMA and the national departments
   - To be verified by PLSSMA

3. The Province's *senior staff are competent and available to be used as resource persons* to assist other, weaker PMTs and DMTs

4. There are clearly *identified economically prudent revenue strengthening measures in place*

[1] These Criteria will be gradually expanded as Provinces the PPII program progresses and expands

PPII Monitoring Arrangements for Phase 1 Provinces

What is monitored?

- **Performance Targets**. These are essentially the targets each province has set itself in its Corporate Plan. Also refer to Annex 2 on Provincial Corporate Management Indicators.

- **Progress on Capacity Building**. These will be targets set annually by the Province in collaboration with DPLGA when it submits its annual request to the Steering Committee for its annual Phase 1 Financial Incentive Payment.

- **Use of Financial Incentive Payment.** The Secretariat will examine whether funds have been used appropriately and accounted for with due diligence.

Is a Report required?

- Each PPII Province will submit to the PPII Secretariat a Six Month Report, summarizing progress on the above performance indicators.

- The Report should not be more than 10 pages.

By Whom is Performance Progress monitored?

- By the Steering Committee finally.

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

What is the Periodicity of Reporting and the Monitoring Visits?

- Reports will be submitted by the Province every six months, for instance - 15 August and 15 February

- Monitoring visits will take place at the discretion of the Secretariat and in consultation with the Provincial Administration.

PPII Management Arrangements

The PPII Steering Committee will oversee the program.

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

The SC's *membership* is as follows:
(i) *Chair*: Sec, DPLGA; (ii) *Deputy Chairs*: Sec, DNP and Minister-Counselor, AusAID
(iii) *Members*: Senior Representatives of Departments of PM/NEC, DPLGA, DNP, Treasury, Finance, and Personnel Management. Provincial representation on a needs basis.

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

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

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

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

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

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

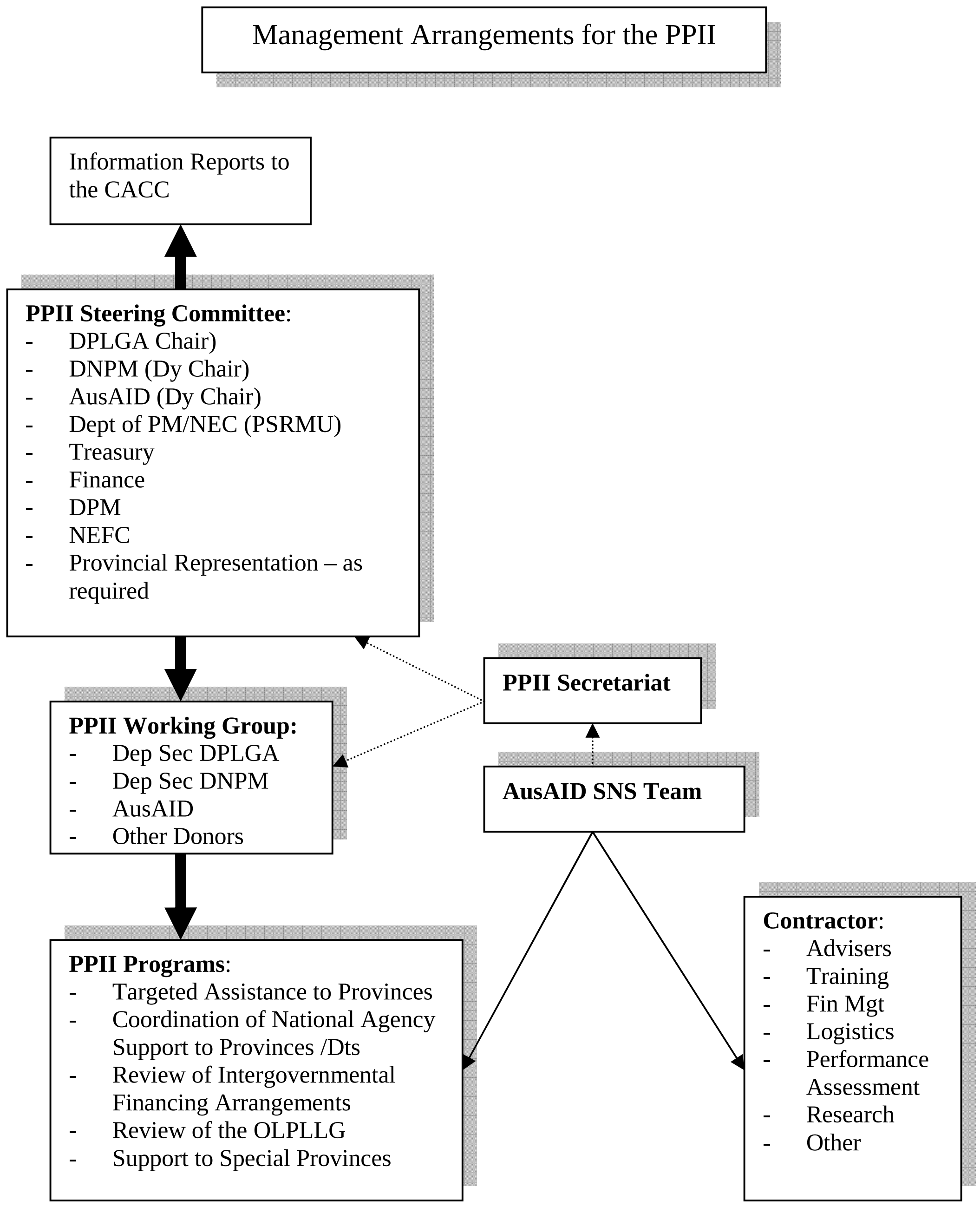
While the Secretariat operates on an ongoing basis, all members will *meet formally on a monthly basis* to take stock of progress, review monthly reports, and provide guidance to the Implementing Service Provider(ISP). The ISP will support and facilitate the work of the Secretariat.

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

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

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

PPII Operational Chart



Summary of Key Lessons from the Pilot Phase of the PPII

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

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

Annex 2

Provincial Corporate Management Indicators

A Guide for Provincial Management Teams

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

1. Internal Management and Coordination, and Direction
2. Mobilising Support of Key Stakeholders
3. Budgeting and Financial Management
4. Human Resource Management
5. Physical Assets Management
6. Technical Systems – support for frontline services

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

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

KRA 1 - Management Coordination and Direction
(Effectiveness of PMT members working with each other)

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

Programming, Monitoring and Reporting 1.11 *Programming of operations at a sector divisional and district level* are done annually, based on the 5 year Development Plan, NMA Service Minimum Standards, Resource Availability, and Priorities for the immediate 12 months 1.12 *Sector and District Programs for the year* are printed and available for the PEC, the JPPBPC and the JDPBPCs. 1.13 *Sector program work progress* (including expenditure) are monitored, by district, and reported to the PMT and PEC every quarter. 1.14 *Section 119 Report and Reporting on NMA Indicators* is completed for each year and submitted by March the following year. Coordination between Provincial Administration and Provincial Treasury 1.15 *The Provincial Treasurer and the District Treasurers* are members of the PMT and attend PMT meetings 1.16 PT/DTs submit *Monthly Financial Reports* to the PMT 1.17 *DTs work closely with the Sector/ Division Heads and the DAs on budgeting and expenditure management* related to their development work programs 1.18 *Information on CFCs* is provided on a timely basis to the PA, PT/DT DPAs, Sector/Divisional Heads and , DAs and LLGs. Corporate Performance Management System 1.19 A *Corporate Performance Management System* operates, which links district, division and section performance planning and monitoring to the planning and monitoring of corporate performance of the province.		

KRA 2 – Mobilizing Support of Key Stakeholders

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

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

2.11 *LLG Presidents* are involved in the District planning and budgeting process. 2.12 The *JPPBPC and the JDPBPC meet regularly* as per the requirements of the Organic Law. 2.13 There is efficient *coordination between LLGs, JDPBPC and the District* administrations. <u>National Agencies and Donors</u> 2.14 The PMT works with National Agencies to establish and maintain *up to date sector databases*. 2.15 The PMT *aligns its annual sector program and budge*t with national sectoral priorities and plans, including MTDS 2.16 The PMT provides respective National Agencies with the *Province's Annual Program, Budget and Activity Plans* 2.17 The PMT clarifies with each key National Agency, the *allocation of sector functions*, so that there is *clarity of roles and responsibilities*. 2.18 The PMT has developed a *capacity analysis of its needs by sector* and communicated this to respective national sector agencies. 2.19 The PMT arranges each year a *program of technical support* from respective National Agencies for its sector-related capacity development and programs. 2.20 The PMT has appointed a *National Agency Coordinator* to coordinate with all Central Agencies. 2.21 The PMT also has an *Aid Coordination Unit* within the Planning Section/Division through which all district and sector submissions for funding are channelled. 2.22 The Aid Coordination Unit ensures that it is *up-to-date with donor policies and requirements* so that		

donor-funded programs move smoothly forward. <u>Private Sector, Civil Society</u> 2.23 An up-to-date *inventory of NGOs, CBOs and major private sector companies* operating in the province, district by district, is available. 2.24 *Information forums* for NGOs, CBOs and private sector companies on development issues, sector by sector, are held regularly. 2.25 *Community participation* in programs is used as much as possible 2.26 A formal *Provincial Strategy* exists to facilitate collaboration with private sector and with NGOs. 2.27 The PMT encourages the operation of the *chambers of commerce,* district by district 2.28 The Province has established a *database of contractors* within the province. 2.29 The Province has established *standards for government-funded work* by private sector and NGOs in different sectors.		

KRA 3. Budget and Financial Management

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

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

KRA 4. Human Resources Management

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

4.10 A *Manager Development Program* is operating to ensure that managers are able to motivate and mage their staff's performance effectively. <u>Staff Discipline</u> 4.11 *Disciplinary action* for continued non or poor performance is undertaken in a prompt, fair and objective manner. 4.12 *Staff counselling facilities* exist to assist staff who have personal problems. <u>Staff Benefits</u> 4.13 The *staff benefits program* is adequately budgeted for and managed efficiently. 4.14 Where staff is eligible for *housing*, a budget is made available for appropriate maintenance.		

KRA 5. Physical Assets Management

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

KRA 6. Technical Systems Management

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

DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS

DEPARTMENT OF NATIONAL PLANNING AND MONITORING

GOVERNMENT OF PAPUA NEW GUINEA

PROVINCIAL PERFORMANCE IMPROVEMENT INITIATIVE

Provincial Performance Improvement Initiative

(PPII)

Independent Review

for the

Secretary

Department of Provincial and Local Government Affairs

Final Draft

Willie Edo and John Mooney

24 August 2010

THIS REVIEW IS DEDICATED TO THE LATE GEI ILAGI, MBE, THE SECRETARY OF THE DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT AFFAIRS AT THE TIME PPII WAS STARTED. THROUGH THE EFFORTS OF THE LATE SECRETARY PPII AND THE DEPARTMENT HAVE FLOURISHED AND HIS DEDICATION AND VALUED CONTRIBUTION IS WIDELY ACKNOWLEDGED

Program Summary

Aid Activity Name	PROVINCIAL PERFORMANCE IMPROVEMENT INITIATIVE (PPII)		
Department	Department of Provincial and Local Government Affairs		
Commencement date	April 2004	Completion date	Continuing
Total Financial Support	GoPNG: 2009 & 2010 K1 million each year AusAID: 2010 A$12 million (K20 million)		
Total other support	Provinces contribute office space, fulltime co-ordination officers, secretarial assistance and project management for funded activities		
Delivery organisation(s)	DPLGA AusAID – AusAID Sub -National Strategy co-located provincially based officers and Port Moresby based officers AusAID funded Implementing Service Provider, Coffey International		
Implementing Partner(s) as at June 2010	National and Economic Fiscal Commission, Department of National Planning and Monitoring, Department of Personnel Management, Department of Finance, and Office of Rural Development Preliminary engagement provinces: Enga Gulf Southern Highlands Western Western Highlands Phase 1 provinces (initial capacity building activities): Madang Manus Morobe New Ireland Oro Simbu West New Britain Phase 2 provinces (capacity building and service delivery activities): Central Eastern Highlands East New Britain Milne Bay West Sepik		
Primary Sector	Governance – improved public administration in province for service delivery		

Acknowledgments

The Review Team records its thanks to the Secretary, deputies, directors, officers and staff of DPLGA, the provincial administrators and their staff, other senior government officers and AusAID for the time they made available while sharing insights and making contributions. Special thanks to Dickson Guina, Frank Akrakrai, Ray Kala, and the program officers from CBD. We also thank the ISP management and logistics officers for their assistance during the review.

The views expressed in this report are those of the authors and do not necessarily represent the views of the Government of Papua New Guinea.

Contents

Abbreviations and acronyms

ABG	Autonomous Bougainville Government
ARB	Autonomous Region of Bougainville
AusAID	Australian Agency for International Development
CACC	Central Agencies Coordination Committee
CBD	Capacity Building Division (DPLGA)
CP	Central Province
DNPM	Department of National Planning and Monitoring
DPLGA	Department of Provincial and Local Government Affairs
DPM	Department of Personnel Management
DSIP	District Services Improvement Program
EHP	Eastern Highlands Province
ENB	East New Britain
EU	European Union
FMIP	Financial Management Improvement Program
GoPNG	Government of Papua New Guinea
HR	Human Resources
IT	Information Technology
KRA	Key Result Area
LGAS	Local Government Advisory Division (DPLGA)
LLG	Lower Level Government
M&E	Monitoring and Evaluation
MBP	Milne Bay Province
MEF	Monitoring and Evaluation Framework
MTDS	Medium Term Development Strategy
NEC	National Executive Council
NEFC	National Economic Fiscal Commission
OLPGLLG	Organic Law on Provincial Governments and Local Level Governments
ORD	Office for Rural Development
PA	Provincial Administrator
PCMC	Provincial Coordination and Monitoring Committee
PEC	Provincial Executive Council
PGAS	Papua New Guinea Accounting System
PLLSMA	Provincial and Lower Local Services Management Authority
PMD	Performance Monitoring Division (DPLGA)
PMT	Provincial Management Team
PNG	Papua New Guinea
PPII	Provincial Performance Improvement Program
PSRMU	Public Service Reform Management Unit
PSWDP	Public Sector Workforce Development Program
RIGFA	Review of Intergovernmental Financial Arrangements
SDMM	Service Delivery Model Mechanism
SMT	Senior Management Team
SNS	Sub-National Strategy (AusAID)
TA	Technical Assistance
ToR	Terms of Reference

1. Executive Summary & Recommendations

1.1 Executive Summary

A Memorandum of Commitment was signed by the Secretary, Department of Provincial and Local Government Affairs (DPLGA), the Secretary, Department of National Planning and Monitoring (DNPM) and the Minister Counsellor, AusAID on 15 September 2004 to establish the provincial Performance Improvement Initiatiuve

Ultimate Objective of the PPII is:

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

The Enabling Objectives are:

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

The PPII's theme is encapsulated in this:

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

Provinces enter PPII through a formal process of development and assessment against public administration criteria. There are four rollout phases of:

- **Preparatory Phase** (*Five provinces*) –DPLGA assists the province to complete its Corporate Plan.
- **Corporate Management Phase (Phase 1)** (*Seven provinces*)–Once in Phase 1 a province then has access to technical advice and an 'incentive grant' of K500,000 to support the implementation of its Capacity Building Plan.
- **Service Delivery Phase (Phase 2) (***Five provinces***)** supports provinces to use their capacity to identify service priorities and expand their response. The incentive grant available is K1 million.
- **Consolidation and Sustainability Phase (Phase 3)** was never implemented. The assumption was that Phase 1 and 2 assistance would scale-down with provinces using their own resources.

In 2010 PPII received K1 million of GoPNG support and K20 million of AusAID assistance. AusAID contribution includes 34 fulltime equivalent technical advisers.

PPII is overseen by an interdepartmental committee of senior officers, and AusAID, chaired by the Secretary DPLGA. DPLGA's Capacity Building Division supports the provinces in their capacity development activities and maintains the Secretariat. The AusAID contracted Implementing Service Provider employs the advisers, maintains the funding mechanism, provides logistical and capacity development support. From 2004 through to late 2008 AusAID officers within DPLGA and three provinces played a significant role in getting PPII established.

At the highest level the Review Team judges PPII as a success Provincial Administrators have spoken enthusiastically about improvements in public administration. The 2008 and 2009 Peer Reviews record the provinces themselves celebrating success, drawing out lessons and sharing experiences. Most of the PPII supported activities were focussed on Objective #1 *Strengthen Corporate Management of the Provincial and District Administrations. Success include:*

- All provinces have corporate plans, many for the first time in recent years
- Provincial Management Team's (PMTs) working together
- Integrated Planning and Budget System (IPBS) is working in four provinces (CP, ENBP, MBP, and Sandaun) taking budgets down to districts, and LLGs in some cases, with a direct line of sight to the Minimum Priority Activities funded by the function grants and in some cases sources of funds identified
- Bottom-up development planning and development forums engaging multiple stakeholders (Central Province, EHP, ENBP, MBP, Sandaun)
- Provincial administration organisation structures have been revised to meet service delivery needs with positions transferred in the new structures from head quarters to districts and LLGs to meet government policy objectives of a ratio of 15:35:50.
- Phase II provinces are operating clearly at a higher level of achievement than the Phase I provinces.

PPII is very well regarded in the provinces for a number of reasons:

- the regular association with DPLGA is highly valued
- DPLGA is fulfilling its role as the 'mother department' in Waigani for the provinces

PPII has given DPLGA purpose and an increased capability to support provinces illustrated by:

- the significantly increased demand for PPII to the extent that all provinces are now involved, please refer to Section 3.1 (Phases and Approaches)

- CBD's increasing management of the program, especially through the development of the Capacity Building Plans, the monitoring of their implementation and the engagement with the PPII provinces.

Objective # 3 was the next most successful. PPII has developed good linked with some government agencies and programs. However, this is an area where the provinces are demanding that other agencies, especially the central agencies, following DPLGA's example of being accessible and province friendly.

There were very limited achievements in the other two objectives. Provinces widely recognise the need for a much great effort on assessing performance through effective monitoring and reporting. Many provinces have access to significantly more funding through the function grants for priority sectors. Every province the review visit is not equipment to report on the quality of increased spending or the achievement of outcomes. This is a serious issue. Building monitoring and reporting capacity is a priority for the next iteration of PPII.

Looking to the future Review Team believes DPLGA needs to address its strategic purpose. The Review Team rejects the suggestion in the terms of reference that PPII Phase III is the next stage. A strong opportunity exists right now to use the platform of PPII and current assistance by AusAID and other donors across the DPLGA's divisions to set a path for the future. The department has significant resources of goodwill from the provinces and development partners to make it even more effective. PPII provides a foundation for change. Review Team believes DPLGA needs a:

- New strategic plan that defines the services it delivers for provinces and government; and
- A new corporate plan describing how it equips and organises itself and its staff

Initially the Review Team thought that PPII could be the vehicle for change – across the whole department. Our view has changed – 'PPII" is a specific brand within a portfolio of DPLGA activities that is strongly associated with CBD and AusAID. PPII should NOT be the driver – that should be the role of the DPLGA strategic plan. We go further and say that despite its strength the PPII name should not be used. The future DPLGA programs should develop new names and branding. The PPII activities become core business for DPLGA.

DPLGA must take an integrated view of doing its job that brings more coherence to how it works with provinces. The benefits should include:

- Making it easier and more efficient for provinces to engage with DPLGA.
- Advocating and 'marketing' these activities within government as DPLGA doing its core business thereby increases legitimacy of DPLGA with its two major 'client' groups
- Contributing to breaking down internal barriers to cooperation and encourage the effective use of resources

- Use all available resources, government and development partner, across the department.
- All funding would then be into the DPLGA strategic plan (its development plan) with functions funded from multiple sources. (put another way DPLGA needs to implement the Integrated Planning and Budget System successfully used by a number of provinces.
- Seeking GoPNG and donor support to implement the DPLGA strategic and corporate plans to drive better performance on the core functions
- Achieve better value for money in the effective use of resources (staff time, funding and technical assistance)

The current "PPII approach and capacity building activities" could support a number of core functions – but as the DPLGA approach and the DPLGA supported activities.

If this approach is accepted (i.e. taking PPII as a stimulus for change within DPLGA itself) one major consequence is that all assistance to DPLGA and provinces needs higher level management within DPLGA strategic plan. This process will take some time and requires strong leadership from the Secretary and his deputies. A good starting point, suggested initially in jest by some of the provinces at the review's forums, would be for DPLGA itself to accept as a framework for change and strengthening performance a modified version of the Phase 1 and 2 criteria. This has already started with the review of the Corporate Plan and the extension to the next 'phases' is quite simple. DPLGA will need technical assistance from time to time complete this work.

The Review Team is of the view that DPLGA should be the central coordinator of AusAID support to PNG's decentralised system of service delivery, respecting NEFC's and Bougainville's special constitutional arrangements. The current diversified set of seven or eight sub-programs of support needs coordination to ensure the total resource envelop is distributed to the development priorities.

1.2 Recommendations

The recommendations that follow give specific advice on the direction of the change suggested.

1: Service delivery implementation focus

a. DPLGA support for provinces should have a strong implementation focus building capacity in systems and processes directly related to service delivery.

b. The future 'PPII' should seek to support greater coordination among the central agencies to support the government policy agenda and the public's expectations.

2: Re-position PPII as DPLGA core business

a. Establish the new 'PPII' as a DPLGA program through the DPLGA Strategic Plan with a new name reflecting DPLGA's strategic and capacity development support for provinces

b. PPII and all donor programs, including AusAID's SNS and the EU's local level government program, should be coordinated and engaged at Secretary and Deputy Level

c. Strengthen DPLGA to manage and coordinate its core activities, integrating PPII and other government initiatives and donor activities into its core way of working

3: Activity managed by Secretary with PLLSMA oversight and coordination

a. All major decisions about PPII and similar programs of DPLGA support should be made by the Secretary of DPLGA in the course of the ordinary business of the department; and within the agreed processes for particular development partner funded activities.

b. Establish PLLSMA as the 'oversight body' for DPLGA assistance in support of improving decentralised service delivery capacity

4: PPII Phases 1 & 2 merge into core DPLGA business with a new incentive program

a. Current phasing structure of PPII be abolished. The current PPII Preparatory Phase and Phase 1 and 2 criteria are used as a basis for a new DPLGA core program of support for the provinces building capacity in their own, and district and LLG, processes and systems for service delivery.

b. DPLGA with the provinces and development partners designs a new 'demand-driven' incentive phase for provinces that meet an enhanced set of gateway and organisational criteria to seek resources for capacity development in support of activities that have already started, which are based upon detailed plans and to which they can demonstrate commitment. DPLGA seeks donor funding for this activity supported by GoPNG as appropriate.

5: All resources counted – TA no longer a 'free good'

a. Assistance available to provinces under the future PPII should be part of an approved budget with an upper limit that takes into account all inputs including:

   – cash transferred to the province

   – technical assistance – at a standard rate

   – payments made by DPLGA for services purchased from third parties.

b. DPLGA should try to ensure that while specific needs are addressed provinces receive an equitable (but not necessarily equal) allocation of resources.

6: Increased GoPNG funding for provincial capacity building and all funding integrated into DPLGA's plans

a. DPLGA seeks GoPNG PIP funding for the program of core support to build provincial public administration capacity to a minimum standard.

b. All assistance, GoPNG, AusAID and other development partners, is fully integrated into the financing of the DPLGA Strategic Plan

c. The Secretary and TMT directly manage the engagement with development partners and the allocation of resources to the department's Strategic Plan.

7: Refocus technical assistance on implementation

a. Technical assistance for capacity development in the provinces and DPLGA needs to move to activities directly related to <u>implementation</u> and <u>driving performance</u> in provinces and districts. It should be closely linked to the specific purposes of each of the two levels of assistance proposed in this report.

b. Overall there needs to be more effort put into defining the required need and assessing non-TA and TA options as the solution. Supporting other government agencies to do their job, rather than replicating it within DPLGA should be a priority.

c. Where TA is the appropriate option engagements should be more specific and targeted in their definition with work plans reflecting the specific tasking, the output and the desired outcome on a province by province basis

d. TA should be available for a range of contributions including hands-on in-line activities if appropriate through to the more indirect transformation advisory assistance. However, whatever the modality it needs review points and an exit strategy.

e. Provinces and DPLGA need to be more engaged in the management and performance assessment of all advisers.

8: Bring all financing for provinces on budget and within treasury

a. Secretary for DPLGA writes to the Treasurer and Secretary for Finance seeking to have the requirements of Clause 6 of the trust instrument for the Sub National Strategy Trust Account implemented and the account externally audited.

b. The Sub National Strategy Trust Account instrument is amended to replace DNPM as the administering department with DPLGA.

c. DPLGA, AusAID and ISP consult with provinces and seek to implement the ISP's recommended mechanism.

d. For the medium to longer term DPLGA, working with Treasury, Department of Finance and NEFC explore a mechanism either using a new Function Grant (Capacity Development) or a quarantined national grant to finance activities in province ‘on-budget and in-treasury’

9: Strengthen DPLGA corporate function to manage assistance

a. The Secretariat for a program such as PPII should be within DPLGA’s corporate planning division where development partner support and intra-department coordination can be enhanced.

b. DPLGA should consider using existing mechanisms for coordination such as an appropriate PLLSMA sub-committee. Coordination is PLLSMA’s statutory role.

c. Development partners can be invited to participate through these GoPNG coordination mechanisms, with appropriate adjustments to meet special circumstances.

10: Engage with AusAID to define co-located officer roles

DPLGA, with the appropriate government department DNPM engages with AusAID on the roles and responsibilities of the AusAID representatives in the provinces.

11: Province performance monitoring and reporting a high priority

Building M&E and performance reporting capacity within DPLGA and at the provincial and district level should be a very high priority for DPLGA under the future PPII.

i. Initially, to be practical, DPLGA should support Phase 2 provinces to report on a select group of the MPAs in the education and health sectors.

ii. Provinces should be supported to meet the requirement to produce an annual performance report, with audited accounts.

iii. The performance management TA available to the provinces needs to be strengthened.

iv. DPLGA needs to retain TA for itself on performance management.

v. DPLGA needs to initiate several small research activities on key public administration issues constraining service delivery to support policy submissions to NEC, with evidence, to seek change.

12: DPLGA actively markets improved provincial capacity within government and drives reforms that are needed

DPLGA regularly briefs CACC and NEC on its support for improved provincial service delivery capacity focussing on actual examples from the provinces. When appropriate DPLGA should propose policy changes, supported by evidence, to improve service delivery from the provinces' perspective.

13: What kind of activities should be supported?

a. Strengthen public administration in the PPII Criteria and Corporate plan KRAs

b. At the provincial, district and LLG level processes and systems that support *specific* service delivery initiatives;

c. Enhanced performance monitoring and reporting particularly on the MPAs and outcomes in the key sectors of health and education

d. Support and facilitate a province's plans and objectives under power-sharing particularly to remedy weaknesses identified in an assessment of capacity related to the devolution of powers; and

e. Support a province to work directly with a development partner to fund development activities in the province through provincial government systems and processes.

14: Strengthen DPLGA to be PLLSMA

a. DPLGA as PLLSMA should be strengthened to be the centre of government coordination and monitoring activity.

b. DPLGA as PLLSMA should be strengthened to build its capacity to coordinate ALL government capacity building activities in the provinces.

c. Support for PCMCs should be a priority for DPLGA and the future PPII

15: Carefully transition from PPII and more support for DPLGA

a. PPII should be wound down carefully as a program over the next two years and be integrated into DPLGAs overall program of support for the provinces bringing together all core functions of DPLGA.

b. DPLGA prepares a new strategic plan that defines the services it delivers for provinces and government; supported by a new corporate plan describing how it equips and organises itself and its staff.

c. During the transition DPLGA uses the PPII phase 1 and 2 criteria to identify areas for immediate improvement and the SMT adopts an aggressive plan to remedy deficiencies in the short term.

d. DPLGA seeks development partner assistance to develop and implement the strategic and corporate plans.

16: Design of the replacement DPLGA activities

DPLGA establishes a design process for a mechanism to replace PPII based upon the key recommendations in this report including:

a. a core program of public administration capacity development related to service delivery implementation based upon the current PPII Phases 1 and 2, with dome additions, and

b. a new demand driven incentive phase for provinces that can **capitalise on the existing initiatives of** Provincial and District Administrations and Local-level Governments that **have already started** based upon current development improvement plans and that can **show a strong commitment** to following them though.

17: New management arrangements

See Recommendation 9 above

18: Coordination of development assistance through DPLGA

The Secretary for DPLGA takes the lead role for coordinating all development assistance for improving service delivery in provinces, districts and LLGS from whichever development partner. The Secretary should include the chairman of NEFC and the Chief Administrator of the ABG (recognising their constitutional status) in policy discussions and engagement with development partners. This approach includes working closely with DNPM in its role as overall manager of the Development Budget.

2. Introduction & methodology

2.1 Report Structure

The ToR for this review seeks an overall assessment of PPII's successes and weaknesses together with responses to a series of specific questions and issues. For the ToR, as approved by the Chief Secretary, please see **Annex 1**.

This report is structured as follows:

- Section 3 provides a brief introduction and overview to PPII.
- Section 4 looks at the successes of PPII.
- Section 5 discusses the conclusions on the specific ToR questions.
- Section 6 reminds readers of the PNG constitutional and legal positioning of provinces, provincial administrators, the Provincial and Local Level Services Monitoring Authority (PLLSMA) and the public policy environment covering PNG's three levels of government.
- Section 7 provides an outline of the Review Team's recommendations for the future shape of PPII.

2.2 Methodology

The ToR specified the core elements of the methodology. PPII did not have a formal logframe. No reviews or evaluations of PPII were conducted during its previous six years. The review was conducted as a 'fly-in, fly-out' model of evaluation. The review has been prepared more in the nature of a development policy review. It is specific to DPLGA and its guardianship role for PNG decentralisation strategies. It is not a piece of evaluation research for which there was neither time, nor resources. It could be described as limited focus, timely, interactive and driven by a diversity of opinion (written and oral). This modality relied heavily on secondary data and existing reports from the DPLGA, the provinces, AusAID and the implementing contractor. Interviews and conversations with key informants, of whom there were many, played a vital role. The Review Team has focused on that which is most relevant and useful for the GoPNG and its partners going forward. The specific ToR questions were asked when appropriate.

PPII has many of the characteristics of a facility i.e. a mechanism that supports a wide range of activities under a broad objective. Experience in international development suggests that in these cases reviews and evaluations are strongest if they look at **context** and **relevance** with efficiency and effectiveness more challenging aspects to consider. Assessing impact is often the most difficult given the lack of *ex ante* evaluations and the lack of initial planning for evaluations in many activities. This is certainly the case with PPII.

Quality in work such as a review is multifaceted. In our view it is not just about methodology or technical evaluation criteria - it is about usability by stakeholders of the end product. A report is of high quality if it is used. At the recent Cairo Conference on Impact Evaluation, Robert Chambers said “if it is not used it is not high quality”. We believe that this report is useable by both GoPNG and its development partners. The initial reactions to the findings and draft recommendations were enthusiastic and encouraging

The Review was conducted over nine weeks from mid-April 2010 leading to a draft report and initial conclusions. The conclusions and draft recommendations were workshopped in July 2010 with key stakeholders in a series of workshops. Stakeholders consulted included Department of Provincial and Local Government Affairs (DPLGA), central agencies and government departments, AusAID and provinces. Seven provincial visits of two to three days each took place (i.e. Central Province, Eastern Highlands Province (EHP), East New Britain Province (ENBP), Milne Bay (MBP), Morobe, Simbu and West Sepik). The Review Team met with the provincial administrator, deputy administrators, and many members of the provincial management team and in most provinces the health adviser, the education adviser and at least two district administrators.

The review’s findings and recommendations were workshopped with stakeholders in two sessions during the initial mission - the second one included provincial stakeholders. The final set of conclusions and recommendations was workshopped with key stakeholders in five sessions in the week of 19 July 2010: DPLGA senior management; seven provinces (six administrators and one deputy) and PPII coordinators; DPLGA staff, AusAID, European Union and World Bank; National Economic Fiscal Commission (NEFC), Public Sector Reform Management Unit (PSRMU) and the Department of Finance.

Annex 2 lists the individuals consulted. Many documents were reviewed with the key ones listed in **Annex 3**. The PPII *Guide to Services and Performance Requirements* is the document that provides details for readers on how PPII operated, please refer to **Annex 4**. While written in 2007, and needing updating, the Guide is relevant today in key aspects and informative to those new to PPII. **Annex 5** contains the 2009 Peer Review Report illustrating the wide range of PPII activities and issues.

The Review Team

The Review Team was nominated by DPLGA in consultation with AusAID:

- **Willie Edo** – Mr. Edo has 24 years of experience in PNG public service and most recently was Provincial Administrator of West New Britain Province (1999-2000 & 2004-08). He has a background in the health sector, human resource management and public administration. He has occupied positions in Health (1986-1990); Human Resources Advisor (1991-1997); and Deputy Provincial Administrator (1998-1999). He was involved in the initial discussion and establishment of the PPII Program in PNG. His educational qualifications include; Masters in Business Administration, University of Queensland 2001-2003; Bachelor of Business (majors in Human Resource Management and Government Administration) University of Southern Queensland 1992-1995;

Diploma in Applied Health Sciences (HEO) CAHS, Madang 1982-1984; and Diploma in (Technical) Teaching, University of Goroka, 1988.

- **John Mooney** – Mr Mooney has 19 years experience in Papua New Guinea in the public sector, strategic analysis, activity design and activity review. Most recently John was the strategic director of the Papua New Guinea Law and Justice Sector Program (2003-2008). In 2009 he worked for AusAID in contributing to a review of its sub-national engagement strategy across the aid program. John trained as a lawyer and practiced law in New Zealand as a barrister and solicitor for ten years before spending nine years in the civil aviation industry as a senior executive in the state-owned enterprise responsible for air traffic control and navigation.

3. PPII in brief

3.1 The beginning

The Department of Provincial & Local Government Affairs (DPLGA) is specifically mandated to ensure the provincial and local levels of governments are efficient and effective by the *Organic Law on Provincial and Local Level Government* (the Organic Law). One program that is currently driven within the department in support of the Organic Law is the Provincial Performance Improvement Initiative (PPII).

The PPII is a capacity building program partnered with AusAID designed to ensure provincial and district administrations effectively and efficiently deliver goods and services to the people. This program is imbedded within the wider public sector reforms to ensure that public officials within the sub national levels of administration understand their roles and responsibilities, manage their responses to engagement issues, and moreover coordinate and align within the environment they operate in.

While designed in 2004 PPII today is extremely relevant to the Government of Papua New Guinea's public policy and development objectives. Please refer to Section 6 for the details and linkages.

PPII was approved by the Central Agency Co-ordinating Committee (CACC) on 12 July 2004. A Memorandum of Commitment was signed by the Secretary, Department of Provincial and Local Government Affairs (DPLGA), the Secretary, Department of National Planning and Rural Development, as it then was and now Department of National Planning and Monitoring (DNPM) and the Minister Counsellor, AusAID on 15 September 2004.

Initially DNPM was an originator of PPII. However, very early in the program DPLGA took the lead role, with the concurrence of DNPM. DPLGA is the lead implementation agency. The three levels of government in PNG and the donor agencies are each responsible for monitoring the performance of the PPII from their own perspective using existing PNG systems wherever possible.

The participating administrations provide leadership for the implementation of improvement agendas in their respective jurisdictions and provide logistical and counterpart support for the PPII. GoPNG provides some counterpart funding. AusAID makes the most significant funding contribution to PPII, refer to Section 3.6.

Objectives

Ultimate Objective of the PPII was:

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

The Enabling Objectives were:

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

The 2005 PPII Framework, refer to Annex 4, set out some desired outcomes:

6.0 OUTCOMES

6.1 Improved public administration in participating Provincial and District Administrations and Local-level Governments:

- *appropriate management structures and systems fostering a productive work ethic;*
- *improved management of resources – money, people, assets and information;*
- *integrated planning and budgetary systems that identify and fund priorities within mandate and fiscal constraints;*
- *improved procurement and expenditure control, including containment of misappropriation;*
- *transparency and financial accountability, including audit compliance; and*
- *continuous improvement.*

6.2 Targeted and sustained development:

- *GoPNG and donors' development funds targeted to agreed priorities with due consideration to the implications for recurrent expenditure over the long term.*

6.3 Improved services – education, health, roads, law and justice:

- *planned service levels stated and achieved with available resources.*

It is worth noting at this point that PPII has focussed almost exclusively on Outcome 6.1.

The PPII's theme is encapsulated in this statement from the original documentation that the Review Team believes should continue to drive this initiative, albeit in a restructure approach:

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

The phases and approach

PPII was developed with support from some provincial administrators at a time when:

- There were serious concerns about provincial capacity, particularly in public administration and service delivery implementation, some eight years after the 1995 Organic Law reforms.

- DPLGA was a very weak department and there was serious discussion within central government about abolishing it.
- The provinces were seeking to retain and strengthen DPLGA as the 'mother' department for the provinces and for it to be their advocate in Waigani.
- AusAID and GoPNG were establishing a number of innovative activities targeted at improving PNG capacity and aid program effectiveness e.g. a refocussed Incentive Fund, the Churches Partnership Program and the Electoral Support Program.

PPII was designed as a long term initiative (5 - 10 years).At the beginning it was not intended that PPII should extend to all provinces. The target was eight provinces within five years. The PPII focused initially on three provinces, Central, EHP and ENBP. It has now been extended to all provinces in its various phases. A separate program operates in the Autonomous Region of Bougainville.[1]

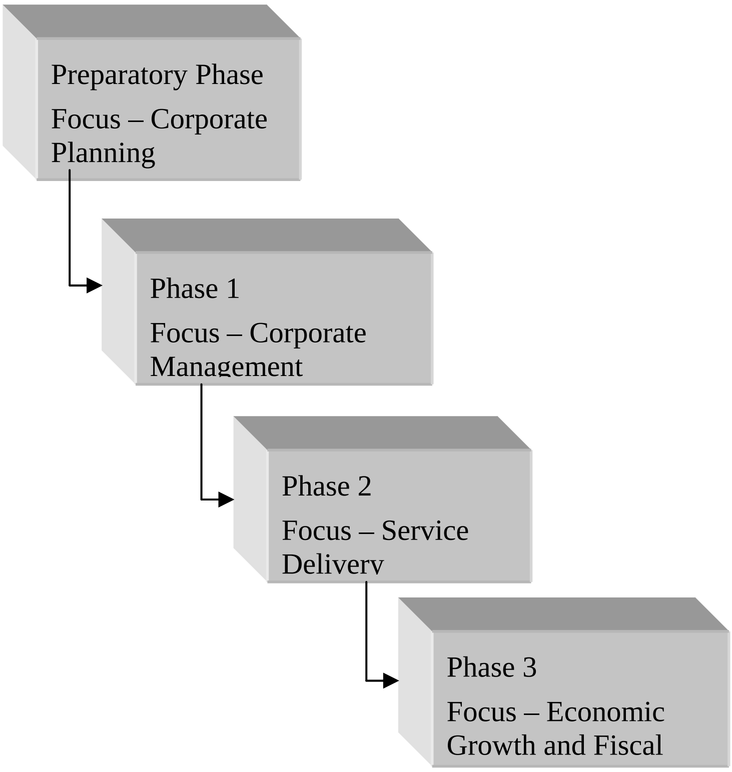
The PPII is flexible, adaptable and responsive. Support is tailored to the needs of each participating province. Its focus has been at the provincial level although the original intention was to extend it to district and LLGs.

The PPII *Guide to Services and Performance Requirements* was prepared in 2007, please refer to **Annex 4.** It details how PPII operates. Some minor elements are out-of-date. However, for the purpose of this review it is a more than adequate description of how PPII works.

PPII was established as a program with four phases that rewarded initiative and local action:

[1] The ARB program was not part of this review

PPII Four Phases



Provinces enter PPII through a formal process around the four rollout phases of:

- **Preparatory Phase** –DPLGA assists the province to complete its Corporate Plan.
- **Corporate Management Phase (Phase 1)** – typically planned for up to three years to support corporate public administration in the provinces and districts. To enter this phase a province must:
  - have a finalised Corporate Plan
  - be able to demonstrate that implementation of the Corporate Plan has begun
  - have in place a functioning Provincial Management Team, and
  - formally agree with DPLGA on the Capacity Building Plan based upon areas in the Corporate Plan it wishes to address with the assistance of PPII.

Once in Phase 1 a province then has access to technical advice and an 'incentive grant' of K500,000 to support the implementation of its Capacity Building Plan if it meets the Phase 1 criteria. Please refer to Annex 4 for the criteria and the Key result Areas against which the assessment is made.

- **Service Delivery Phase (Phase 2)** supports provinces to use their capacity to identify service priorities and expand their response. Please refer to Annex 4 for the broader range of criteria and performance indicators. The incentive grant available to Phase 2 provinces is K1 million.
- **Consolidation and Sustainability Phase (Phase 3)** was designed to ensure that all the provincial public administration systems and process, linkages with elected leaders were operating smoothly and efficiently. The assumption was that Phase 1 and 2 assistance would scale-down with provinces using their own resources. No criteria were defined for entry into Phase 3 with this review being asked to make recommendations if appropriate. No provinces are in Phase 3.

The assessments of progress are made jointly by the province with the DPLGA Capacity Building Division using the procedures described in Annex 5. This has been an area of significant improvement since 2008. Once completed the PPII Secretariat makes a recommendation to the PPII Steering Committee on whether or not the incentive grants are to be paid.

PPII was structured around four phases: The current status is:

Provinces and Phasing of PPII

	Preparatory Phase	Phase 1	Phase 2
Provinces	Enga Gulf Southern Highlands Western Western Highlands	Madang Manus Morobe New Ireland Oro Simbu West New Britain	Central Eastern Highlands East New Britain Milne Bay West Sepik
Key activities	Complete provincial corporate plan	Capacity building activities to implement aspects of corporate plan as described in Capacity Building Plan	Capacity building activities to implement aspects of corporate plan as described in Capacity Building Plan Service delivery activities
Inputs available	DPLGA CBD staff	DPLGA CBD staff Locally based TA TA from Port Moresby based 'fly-in fly-out' squad Office, staff and some counterpart funding from provinces	DPLGA CBD staff Locally based TA TA from Port Moresby based 'fly-in fly-out' squad Office, staff and some counterpart funding from provinces
Incentive Funds	nil	Up to K500,000 for capacity building activities	Up to K1,000,000 for capacity building and service delivery activities

At each phase provinces are assessed against criteria. It may be useful to briefly illustrate how the assessments take place using the move by a province from Preliminary to Phase 1 as an example. The starting point is:

- Courtesy call to the Provincial Administrator (PA)
- Ask questions about how the Provincial management team (PMT) works and operates,
- Seek PMT endorsement/support for the implementation of the Corporate Plan (CP) – demonstration of administrative support
- Copy of CP sent to Provincial Executive Council for endorsement – demonstration of political support

The DPLGA meets with CP Implementation Committee. This is established after the corporate plan workshop:

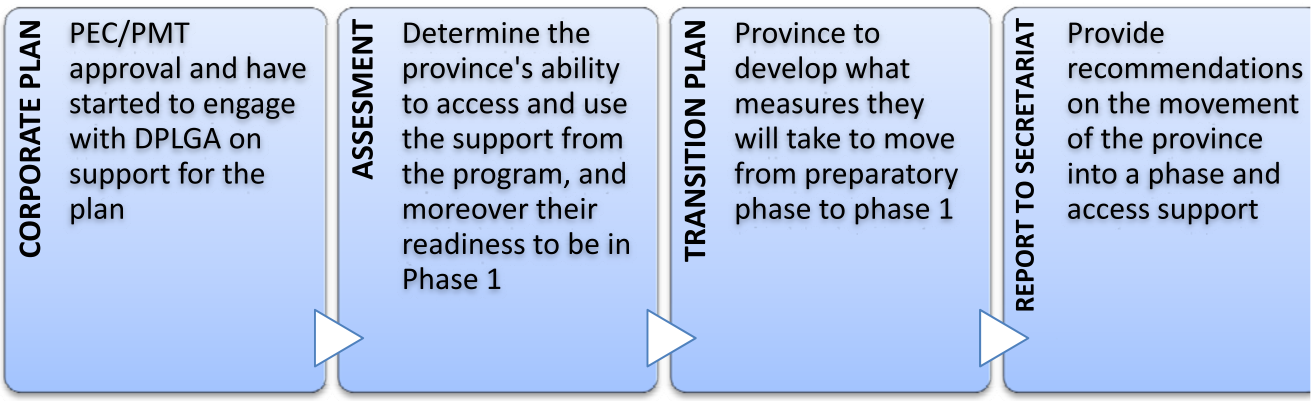
- They ask all the questions asked of the PA
- Discuss barriers to implementation- particularly how they have managed without external support
- Support the committee about finding solutions- what ways forward?
- Where DPLGA would support to best advantage?
- Develop recommendation for the PPII Secretariat and the PA.

The assessment team consists of**:**

- Assistant Director of DPLGA Capacity Building Division (CBD) taking the lead
- DPLGA Program Liaison Officers
- Representative of the Implementing Service Provider (ISP)
- Other government stakeholder if relevant e.g. Department of Personnel Management (DPM)

Diagrammatically:

Assessment of Preparatory Phase Provinces to progress to Phase 1



The follow-up is assessed during a two or three day visit. A prompt question sheet is used based upon the criteria in the Guide. The key criteria are assessed.

Assessment of the Criteria

Criteria	Status/progress of Implementation	Evidence
Finalised CP	CP approved by PMT and presented to PEC	Minutes PMT kept and implemented- *Att. Records*
Implementation of CP	CP Implementation Committee operational and reports to PMT on their progress	E.g. Implementation provided to team. PMT minutes to confirm
Functioning PMT	PMT meets regularly and discusses CP PMT tracks decisions made	PMT minutes & meeting with PA. Minutes are kept
Capacity Building needs identified in the plan	Province has prioritized it's activities	Implementation schedule

3.2 Governance

The PPII management arrangements were established along the lines of a stand-alone project. This reflected the weak organisational capability of DPLGA in 2004.

Steering Committee

The PPII Steering Committee (SC) oversees the program. Its key functions are to:

- provide strategic guidance to the PPII
- ensure that key national agencies are appropriately coordinated with respect to their involvement and contributions
- provide continued and high level assessment of outcomes
- approve PPII Annual Work Plans, the annual budget and component allocations.

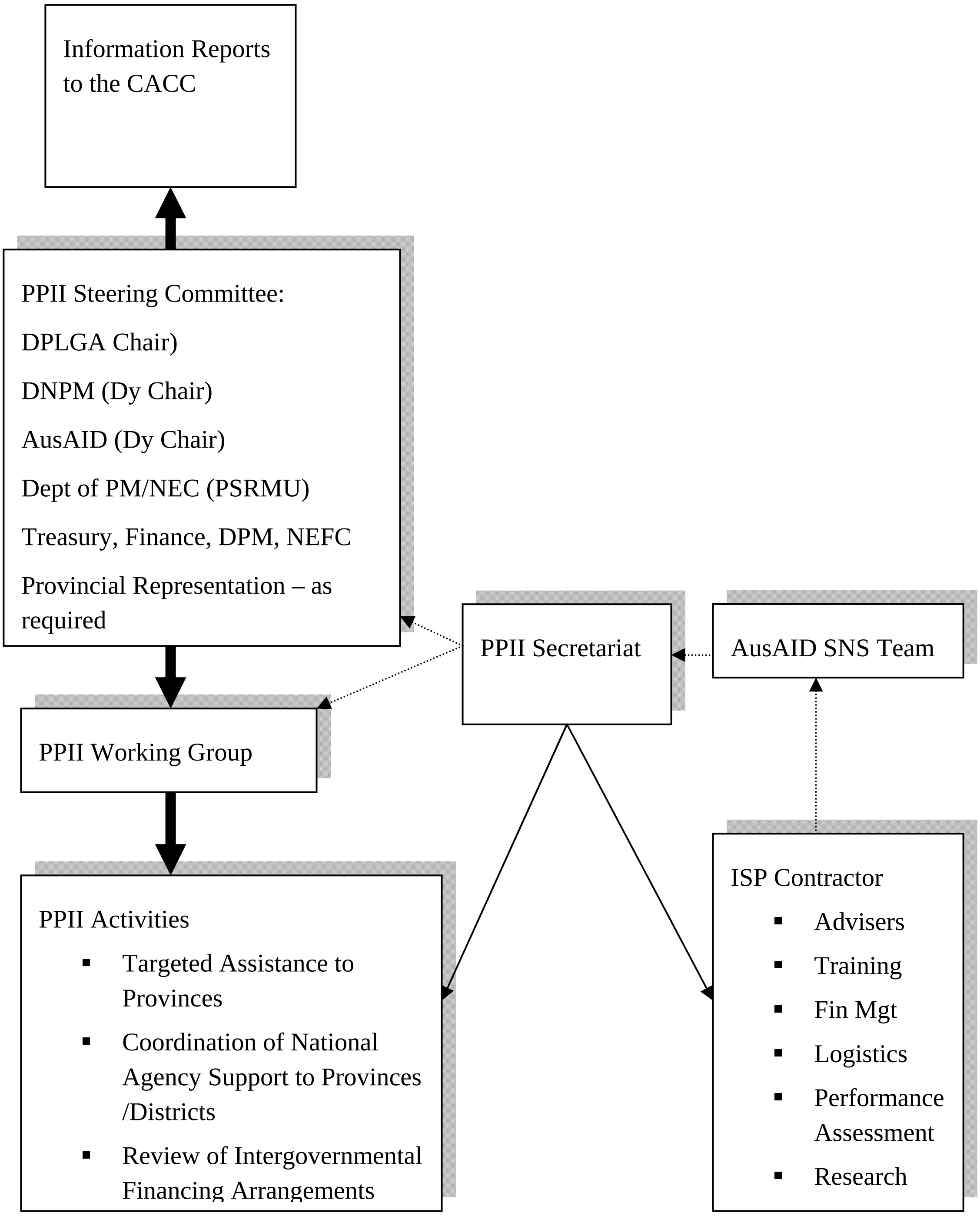
The Steering Committee is required to report PPII progress to the CACC annually.

The Steering committee's membership is the Secretary of DPLGA (chair) Secretary DNPM and Minister-Counsellor, AusAID (both deputy chair) and senior representatives of Departments of PM/NEC, NEFC, DPLGA, Treasury, Finance, and Personnel Management. The Steering Committee tries to meet every six months and has met 13 times over six years.

PPII Working Group

The PPII Working Group was established to ensure preparation for the bi-annual Steering Committee Meeting is appropriately undertaken. It has never met. The PPII Secretariat undertakes this function.

Management Arrangements for the PPII



PPII Secretariat

The PPII Secretariat located in DPLGA's CBD is the day-to-day manager of PPII. Its functions include:

- providing day-to-day operational management of the PPII and providing guidance to the ISP
- monitoring provincial progress, receiving reports on progress, and documenting these for reporting to the Steering Committee
- receiving annual work plans and capacity building plans, and endorsing these to the Steering Committee for approval
- recommending changes on resource distribution based upon performance assessment information.

The PPII Secretariat's membership is as follows:

- Secretariat Chair: Director, Capacity Building Division, DPLGA.
- Members: DPLGA Representatives, GoPNG agencies, AusAID.

The Secretariat meets monthly. The ISP supports and facilitates the work of the Secretariat.

DPLGA

DPLGA's role in PPII is interesting. It was intended by the PPII designers that DPLGA was to fulfil its role through the PPII Secretariat, i.e. CBD. The irony is that CBD has most probably been too successful in the role with CBD becoming the visible and dominant entity rather than the department. This is perhaps understandable given the significant resources at the disposal of CBD for PPII and the limited engagement in the management of PPII by DPLGA's senior management, a topic discussed later in this report.

DPLGA's role in the PPII design is:

- taking primary accountability within GoPNG for the achievement of the outcomes and outputs targeted by the PPII
- coordinating with AusAID and the ISP on the assistance to be provided by them for smooth implementation
- coordinating with other national agencies, both central and sectoral, on their respective roles and responsibilities in implementing the PPII
- seeking and obtaining approval for its contributions to the PPII
- facilitating the linkage of the PPII with other key GoPNG programs and initiatives which also target strengthening the provinces, districts and LLGs with respect to service delivery.

As noted, these functions have been largely carried out by the CBD of DPLGA and its Director. The DPLGA Capacity Building Division co-ordinates the work of the PPII and other divisions of the DPLGA.

AusAID

AusAID has officers based in EHP, ENBP, MBP, CP and Bougainville, called 'the co-located officers.' The co-located officers' role has changed in regard to PPII. Initially the officers played a leading and valued 'in-line' role in PPII:

- supporting the provincial administrators and management of each province in the review of their administrative processes and in developing a reform agenda for more effective service delivery
- acting as a liaison through which provinces could more easily access advisory resources for their respective reform processes
- assisting in overseeing the implementation of the PPII and the performance of the ISP and advisors in the province, ensuring that these are indeed responsive to the needs and priorities of the PMT
- providing on-the-job support and skills sharing to key officials in the provincial administration, and
- representing AusAID in the province

AusAID officers undertook these roles in the pilot provinces of EHP, ENBP and CP. In 2004, and for a number of years thereafter, DPLGA had limited capacity to support PPII and undertake reliable engagement with the provinces. The ISP's resources were limited. There is no doubt that the AusAID co-located officers' presence and direct engagement contributed to PPII gaining traction with the pilot provinces and later in MBP and Bougainville. Similarly, AusAID's presence at DPLGA stimulated and facilitated progress. AusAID funded a senior advisory position to provide strategic advice to DPLGA on the development of PPII.

The AusAID assistance was provided through its Sub-National Strategy (SNS). SNS also supported DPLGA's Performance Monitoring Division and the Legal Policy and IT Division, NEFC, the National Research Institute (NRI) and the ABG. While much of this support is complementary to PPII it has never been managed by DPLGA as a coherent package of support for improved decentralised service delivery across government. SNS itself was subject to a Mid Term Review in 2009.

From late 2008 AusAID significantly reduced its direct support for PPII through the co-located officers. DPLGA was able to support the provinces through the work of the CBD management and project officers. Over the last year AusAID has been reviewing the role and structure of its engagement with the provinces through SNS and as a result a representational role for the whole AusAID program is emerging. As is noted later in this review[2] the provinces are supportive of this role, provided that it is responsible for working with the province to coordinate the whole AusAID in-province contribution to

[2] Paragraph 5.4.2

development and staffed with people knowledgeable of the GoPNG's public administration.

Implementing Service Provider

The Implementing Service Provider is Coffey International. Its role is:

- to manage the financing facility which supports PPII;
- to employ and manage all advisers;
- to support CBD and the PPII Secretariat with advice and logistical support
- to provide other inputs as directed by the Steering Committee through the PPII Secretariat.

Based in Port Moresby outside of DPLGA the ISP has a small management team and significant support staff who are responsible for travel, logistics and funding. Some of these positions are funded from the ISP's overhead and others are reimbursable positions charged against the PPII adviser budget. Many of the tasks undertaken by the ISP should be undertaken by DPLGA in the ideal world, e.g. managing the funding mechanism for the provinces, organising forums and workshops etc. The reality has been that DPLGA does not have the capacity and staff to do this work. The ISP's performance is assessed annually by an Independent Review Team.

3.3 PPII financing and inputs

PPII financing mechanism

The ISP managed a trust account mechanism based upon a feeder or head account in DNPM that was funded by AusAID. Individual accounts are managed by the provinces under a financing agreement with the ISP. Please refer to section 5.3.2 for the details of this arrangement.

PPII 2010 Budget

The total budget for PPII in 2010 is K21 million with Australia contributing K20 million of the total:

PPII 2010 Budget

PPII BUDGET ESTIMATE - 2010 (PGK)					
	KEY PPII Funding Areas	GoA (SNS) Component	GoPNG (CBD PIP) Component	Total Budget Estimate	%
1	PPII Incentives	4,550,000	200,000	4,750,000	22.4
2	PPII Monitoring & Evaluation		100,000	100,000	0.5
3	PPII Technical Advisers	12,019,719		12,019,719	56.7
4	Provincial Program Support		150,000	150,000	0.7
5	PPII Review	480,000	100,000	580,000	2.7

PPII BUDGET ESTIMATE - 2010 (PGK)					
	KEY PPII Funding Areas	**GoA (SNS) Component**	**GoPNG (CBD PIP) Component**	**Total Budget Estimate**	%
6	PPII Steering Committee		60,000	60,000	0.3
7	PPII Annual Peer Review		350,000	350,000	1.7
8	Admin, Equipment, Supplies		40,000	40,000	0.2
9	Non-TA capacity Building				0
	•HR Diploma Program	120,000		120,000	0.6
	•Provincial Exchanges	250,000		250,000	1.2
	•PSWDP	150,000		150,000	0.7
10	ISP Management	2,633,170		2,633,170	12.4
	Total **PGK**	20,202,889	1,000,000	21,202,889	
	@0.38 as ROE **AUD**	$7,677,097	$380,000	$8,057,097	

Source: ISP to June 2010 Steering Committee meeting.

Notes:

- There are 34 fulltime equivalent advisers in this budget.
- Advisers costs in earlier years were A$471,360 (2007/08), A$1,780,239 (2008/09), and A$2,889,334 (2009/10) for July to June years. The calendar year 2010 equivalent is A$4,560,000.

GoPNG Funding

GoPNG provides the recurrent budget for CBD. In 2009 and 2010 a further K1 million has been provided through the GoPNG Development Budget.

Provinces make contributions to PPII through the provision of:

- senior management time for engagement
- permanent liaison officers
- office space and administrative support, e.g. key board operators
- some counterpart funding.

AusAID Funding

The government of Australia funds PPII through AusAID Sub National Strategy (SNS) and has done so since 2004.

AusAID also supports:

- DPLGA Policy and Legal Division with technical advisers at a cost of AUD450,000 for the 2010 calendar year.
- DPLGA Performance Monitoring Division with technical advisers at a cost of AUD 1,865,000 for the 2010 calendar year.

- NEFC at a cost of about AUD 1.3 million, down from A$1.6 million in 2008/09. NEFC's support is diminishing with only three advisers funded for the next period.
- The Autonomous Bougainville Government (ABG) at a cost for technical advisers and logistics of AUD 2.2 million per annum

SNS was reviewed in mid 2009. The ISP contract in support of SNS ends in May 2011. AusAID is establishing a process to re-tender the contract for future support of SNS.

Technical advisers

At any point in time the PPII technical adviser situation is quite fluid with recruitment and resignations adjusting numbers. As at early June the following three tables show:

- filled positions
- approved positions – these cannot be filled as the ISP's SNS contract has reached the contractual limit of 51 full-time positions. A contract variation with AusAID to increase the limit to 71 fulltime positions has not progressed for a number of reasons
- requested positions.

These tables excluded one current and two approved positions for Southern Highlands and eight positions in the Autonomous Region of Bougainville.

PPII Adviser Filled Positions

PPII Advisers		
Title	**Location**	**Status**
Capacity Building Adviser, DPLGA CBD		
HR Adviser, DPLGA CBD	Port Moresby, Fly-In Fly-Out	Full-time
Finance Adviser, DPLGA	Port Moresby, Fly-In Fly-Out	Full-time
Finance Adviser, DPLGA	Port Moresby, Fly-In Fly-Out	Full-time
Lead HR Adviser, SNS	Port Moresby, Fly-In Fly-Out	Full-time
Lead Finance Adviser, SNS	Port Moresby, Fly-In Fly-Out	Full-time
Lead ICT Adviser, SNS	Port Moresby, Fly-In Fly-Out	Full-time
Database/ICT Adviser, SNS	Port Moresby, Fly-In Fly-Out	Full-time
Capacity Effectiveness Coordinator, SNS	Port Moresby, Fly-In Fly-Out	Classified as Adviser
Project Management Adviser, EHP	Port Moresby, Fly-In Fly-Out	Full-time
Budget & Expenditure Adviser, Central	Central Province	Full-time
District Planning Adviser, Central	Central Province	Full-time
Budget & Expenditure Adviser, ENBP	East New Britain Province	Full-time
Budget and Expenditure Adviser, EHP	Eastern Highlands Province	Full-time
HR Adviser, Madang/West Sepik	Madang Province/ West Sepik Province	Full-time
Development & Planning Adviser, Milne Bay	Milne Bay Province	Full-time

PPII Advisers		
Title	**Location**	**Status**
HR Adviser, Milne Bay	Milne Bay Province & East New Britain Province	Full-time
Corporate Plan Implementation Adviser	Morobe Provinces	Full-time
Corporate Plan Implement Adviser, West Sepik	West Sepik Province	Full-time
Strategic Management Adviser, DPLGA	ISP	Periodic Adviser
HIV Mainstreaming Adviser	ISP	Periodic Adviser
PPII Review Consultant & AA Adviser SNS	ISP	Periodic Adviser
PPII Review Consultant	ISP	Short term Adviser
Technical Implementation Facilitator	Morobe	Full-time
Budget and Expenditure Adviser	West Sepik	Full-time

The approved positions for which recruitment is underway are largely new positions located in the provinces:

PPII Adviser Approved Positions

Position	Location	Current Status
HR Adviser, DPLGA	Port Moresby, Fly-In Fly-Out	Awaiting selection report approval
Physical Planner Adviser, WSP	West Sepik	Finalisation of ToR
District Capacity Building Adviser, WSP	West Sepik	Finalisation of ToR
Corporate Plan Implementation Adviser, WNB	West New Britain	Finalisation of ToR
District Planning Adviser, ENBP	East New Britain	Finalisation of ToR
Implementation Facilitator, Central	Central	Finalisation of ToR
HR Adviser, Central	Central	Finalisation of ToR
SNS Gender Adviser	Port Moresby, Fly-In Fly-Out	Finalisation of ToR
Corporate Plan Implementation Adviser	Madang	Shortlisting
Transport Sector Adviser	Port Moresby, Fly-In Fly-Out	Finalisation of ToR

Three positions have been requested but not approved:

PPII Adviser Requested But Not Approved Positions

Position	Location	Current Status
Corporate Plan Implementation Adviser	Simbu	Not approved
Corporate Plan Implementation Adviser	New Ireland	Finalisation of ToR
Corporate Plan Implementation Adviser	Simbu and Manus	Finalisation of ToR

3.4 PPII Monitoring and evaluation

The *Guide to Services* guides CBD in the processes for Monitoring & Evaluation (M&E) PPII. There was no logframe or similar tool. Similarly there has been no regular reporting against the PPII objectives and outcomes noted above.

The actual M&E performance is discussed later in this review, please refer to Section 5.4.

PPII M&E processes and tools were designed and have been updated in the context of DPLGA M&E mandates under the Organic Law. The PPII M&E system was intended to monitor both the performance of participating Provincial Administrations and its own performance. In practice it has focussed largely on the former.

Monitoring of the performance focuses on:

- progress in implementing Capacity Building Plans i.e. the activities coming out of supporting the Corporate Plan;
- annual assessment against the criteria for the Phase
- actual expenditure compared to budget;
- how the PPII support has been utilised;
- compliance with any conditions and/or mutual obligations; and
- other matters as may be required.

Monitoring of these aspects has generally been done well with significant improvement over the last 18 months. This progress includes:

- The initial assessment which references existing sources of information and evidence such as the NEFC reports, s. 119 reports etc
- The CP workshop and development of the CP, and its linkage to a province's development plan
- Supporting the endorsement and launching of the PPII program in the province
- The various assessments including PPII officer visits, reports to the PPII Secretariat on implementation progress and issues, audit reports and an annual 'whole of government' visit involving other government agencies and PPII stakeholders.
- The result of this engagement and M&E activity is a report from the Secretariat making recommendations on:
    - The amount of the incentive payment to be made; and
    - If a province is to move to the next phase, if appropriate.

A recently introduced, but significant M&E activity, is the annual Peer Review. This year will be the third occasion when all the PPII provinces have got together and shared lessons and successes. Rather than repeat the material generated at the Peer Reviews this Review happily includes the 2009 Peer Review Report in this report, please refer to **Annex 5.** This form of collaborative feedback and peer review was widely applauded by PPII participating provinces as a valuable tool. The Peer Reviews also provided a forum for competition to emerge, stimulating some provinces to do better or emulate their peers.

The capacity building implementation process and monitoring is illustrated in this DPLGA diagram:

CBP implementation process

3 months to get this in order

Capacity Building Plan

(12 - 18 months)

Province checklist:

* Plans and funds available, Trust account established and PPII funds itemised into PGAS chart of accounts.

Once the Secretariat has approved, the trust instruments and account need to establish; this which can be lengthy. Therefore, the importance is ensuring the timing meets the plans targets and achieves them. Moreover the province needs to be informed of the time lapse by PLO, so that parts of the plan can be implemented without depending on the funds (eg, non TA activities)

Quarterly monitoring system

Province /DPLGA

The PPII coordinator (*or equivalent*) will provide an update on the CBP using the existing Annual Activity Plan reporting tools that are used internally. The CBP must be absorbed into the AAP for officers to implement. However, the monitoring report by PLO (DPLGA) will be used as external reporting to Secretariat. This will provide a better communication between DPLGA/Province, and will also promote the AAP processes.

12-18 months

Implementation

DPLGA visit ≥ 3 months after implementation

These visits are quarterly by the PLO, and should occur early in the month. Here the PLO visits the PPII Coordinator (*or equivalent*), sectors implementing, finance, TA in the province, and AusAID co-located officer to see any issues that arise and get a feedback report on the implementation via AAP reports.

Quartely report tabled in PPII Secretariat

National agencies/AusAID/ISP

PLO must ensure that the feedback from province is captured in a "*Monitoring report*", so that the Secretariat can address the issues that require further support to improve implementation. Furthermore, the evidence gathered from the report is as good as the AAP reports and visit of actual sites.

Feedback on outcomes

DPLGA/Province

Once Secretariat has provided resolutions, the province should be informed via a letter from Secretary to Provincial Administrator or phone the PPII Coordinator (*or equivalent*) so that the issue can be addressed. The support will only be as good as the scope of the issue discussed

4. Has PPII been successful?

This section considers Part 1 of the ToR – the overall assessment of PPII.

1.1 Assess and evaluate the successes of PPII as a Government of PNG's Public Sector reform Strategy in supporting improved performance of public administration at the sun-national levels and ultimately improve service delivery the reforms to improve service delivery. Specifically:

- *Assess the effectiveness of the program in addressing the issues of Corporate Management systems and processes at the provincial level, including districts particularly:*
- *Changes in work performance*
- *Review capacity building interventions through PPII*
- *Identify a set of specific successful capacity development approaches in the areas of budgeting, planning, internal audit, change management, asset management (etc) that resulted in direct and indirect service delivery improvements, and explain why they were successful and why they should be adopted in any subsequent program.*
- *Identify unsuccessful capacity development approaches in the PPII target capacities, and explain why they should not be replicated in any subsequent program.*
- *Assess the linkages of* PPII to the other divisions of the Department and PLLSMA.

4.1 Overview

This section contains a discussion of the success of PPII against the above terms of reference questions. There is no PPII logframe or the equivalent against which to tell the story. The only framework is the *Guide to Services and Performance Requirements* and the four Objectives in the framework. What follows is an assessment, with examples, against the objectives and answering indirectly the above questions.

PPII Successes

At the highest level the Review Team has observed successes. Provincial Administrators have spoken enthusiastically about improvements. The 2008 Peer Review, please refer to Annex 5 and the 2009 Peer review, please refer to Annex 6 record the provinces themselves celebrating success, drawing out lessons and sharing experiences..

Enabling Objective #1 (*Strengthen Corporate Management of the Provincial and District Administrations).*

The majority of PPII supported activities were focussed on this objective. There are a large number of successful activities and outputs under this objective, please see section 4.2 for details:

- All provinces have corporate plans, many for the first time in recent years e.g. Morobe province had not had a plan since 1975
- Provincial Management Team's (PMTs) working together
- Integrated Planning and Budget System (IPBS) in four provinces (CP, ENBP, MBP, and Sandaun) taking budgets down to districts, and LLGs in some cases, with a direct line of sight to the Minimum Priority Activities funded by the function grants and in some cases sources of funds identified
- Bottom-up development planning and development forums engaging multiple stakeholders (Central Province, EHP, ENBP, MBP, Sandaun)
- Provincial administration organisation structures revised to meet service delivery needs with positions transferred in the new structures from head quarters to districts and LLGs to meet government policy objectives of a ratio of 15:35:50
- Asset registers have been completed or are underway
- Improved office conditions, new technology and communications facilities have been provided.

PPII is very well regarded in the provinces for a number of reasons:

- The regular association with DPLGA is highly valued.
- DPLGA is fulfilling its role as the 'mother department' for provinces in Waigani.
- It has brought senior provincial management together.
- Core public administration systems and processes supporting service delivery have improved, please refer to Annex 5 & 6for examples
- Some provinces are better equipped to improve service delivery with budgets and staffing positions allocated down to districts and LLGs
- tTe technical advice and financial resources are increasingly being actively managed by provinces and have been used to build individual competencies and provincial capabilities with demonstrable results.

PPII has given DPLGA purpose and an increased capability to support provinces illustrated by:

- The significantly increased demand for PPII to the extent that all provinces are now involved, please refer to Section 3.1 (Phases and Approaches).
- CBD's increasing management of the program, especially through the development of the Capacity Building Plans, the monitoring of their implementation and the engagement with the PPII provinces.
- CBD's improving competence in undertaking the Secretariat function.

Phase II provinces are operating clearly at a higher level of achievement than the Phase I provinces.

- The vision and leadership of the provincial administrators is vital. The better performing provinces have had the advantage of:
  - an administrator with a vision and determination to make things work

- stability in the position of administrator with some into their third term
- administrators with an ability to work with the local politicians
- administrators and their top management teams working together.

Enabling Objective #3 (*Streamline National Agency support for Provincial and District Administrations*)

This objective has some good outcomes and engagements:

- PPII has assisted in bringings other central agencies to the provinces e.g. DPM for organisational re-structures to move staff to districts and LLGs
- NEFC – the close cooperation between DPLGA and NEFC is valued
- Department of Finance - Provincial Capacity building program (PCaB) which focuses on budget execution skills and financial management
- Treasury's Strengthening Provincial Internal Audit (SPIA) – strengthening of internal audit function in the provinces.
- All of these departments contribute to the Secretariat together with ORD.

However, if there was one significant and consistent theme from the provinces during the review they would like:

- More engagement with central and national agencies tand to be accessible to them at the level set by DPLGA under PPII; and
- To access more support and services from the other national and central agencies.

Not so successful

There are also elements of PPII that have not been as successful:

Enabling Objective #2 (*Strengthen relations between Provincial/District Administrations and Elected Leaders*).

There are few outcomes to report and few activities. There are examples of good engagement with elected leaders in development planning in three provinces, Central, Sandaun and ENBP. DPLGA also linked up with the PSRMU and its *Elected Leaders Program.*

This objective does not seem to have been a priority. It amounts to an opportunity missed. Today in PNG the members of parliament have access to significant resources through the District Services Improvement Program. Almost all of them are implementing DSIP at the district level. Most of the DSIP activities are not being coordinated through the provincial and district plans.

PPII provides an opportunity for provincial administrations to demonstrate their capacity and commitment to service delivery. Several of the provinces have good stories to tell. DPLGA through briefings to CACC and NEC should have been advocating the success of PPII and seeking to shape government policy and its implementation. For example, the NEC is in a position to encourage or require members to follow provincial planning processes in the use of DSIP funding. The Office for Rural Development and DPLGA could monitor this aspect if it was a requirement. The advantages for service delivery are obvious. Provincial capacity to support service delivery, built with PPII resources, could be funded through DSIP. A few members have made funds available to provincial administrations for enabling environment facilities and infrastructure, but the examples are few and fair between. This is an example where DPLGA's Policy and Legal Division could have had a leading role in taking feedback from provinces under PPII and seeking to shape overall government policy.

Enabling Objective #4 (*Enhance accountability of Provincial and District Administrations for service delivery*)

Accountability and performance measurement is recognised as a priority. PPII has provided a good planning foundation for accountability and performance assessment. However, other than the generally high standard of monitoring and reporting on the PPII supported Capacity Building Plans little capacity has been developed in the provinces, district and LLGs in performance monitoring. This is not an exclusive role for DPLGA as those that imposed obligations on provinces or who seek to have them implement national plans and programs have an obligation to support effective M&E. As an aside it should be noted that supporting M&E in the provinces and data collection is not the NEFC's role, as some are minded to say. NEFC has a clear constitutional role as the government economic and policy coherence research and advice agency that relies on others to provide the necessary data and information.

This deficiency is widely recognised by the provinces; please refer to the comments by the PA for Sandaun in the 2009 Peer Review, Annex 5, Section 3.1. The weakness in the provinces on M&E has implications for the whole of government and all development partner programs. With significantly increased function grants for core services and the Minimum Priority Activities (MPA) what is being put into place to ensure that the spending is effective and of a high quality? At the moment most provinces are only monitoring the total amount spent with NEFC providing some after the event analysis through its *Walking the Talk* annual budget reviews.

- It has been hard to identify an extensive list of examples of improved service delivery in the core social areas of health, education and law and justice
- During the review stakeholders listed a number of PPII approaches that they would like to see stopped, please refer Section 4.3.

4.2 Capacity development approaches

PPII's overall concept of capacity was based around provinces and LLGs delivering services. The *Guide to Services and Performance Requirements* concentrated on the activities of the various stakeholders, called Key Actors. In order to give some structure to this discussion the Review Team has adopted the following definitions and approach[3] for the purpose of analysis, recognising that this was not explicit to PPII at any time:

- ***Capacity development*** or the process of enhancing, improving and unleashing capacity. Capacity development is about how competencies and capabilities interrelate to encourage virtuous cycles that support broader capacity, for example and ideally, improved individual leadership reinforces the group's capability to build supportive networks and attract resources. This, in turn, increases overall capacity. This increased capacity opens up new opportunities for the organization and the individuals within it. And the cycle continues.
- ***Individual competencies*** – skills, mindsets, motivations, relationships of individuals particularly provincial administrators, senior management and provincial advisers, district administrators
- ***Collective capabilities*** – skills of a province, a Provincial Management Team (PMT) group to do things, please refer to the Key Actors and Initial Focus section of Annex 4
- ***System capacity*** – overall ability of a province or LLG to perform.

Individual competencies

Individual competencies have improved:

- PAs have a good reputation among the staff and with the broader administration.
- PAs have vision and want their province to be up in the top group of provinces and are trying to translate that vision into improved performance.
- PAs demonstrate leadership skills including support for innovation and experimentation with new approaches (e.g. IPBS, placing staff in districts and LLG areas).
- PAs are delegating to their top management teams and PMT.
- PAs and their teams are proud of their achievements and can speak about them freely.
- In the technical areas of planning, budget, HR the major initiative has been driven by administration officers with adviser support.

Collective capabilities

The capability of the Top Management teams (TMTs) and PMTs has increased:

- Most PMTs ad TMTs meeting regularly and decision making shared and results monitored and followed up e.g. minutes being written and used.

---

[3] Baser, Morgan et al, *Capacity, Change and Performance* European Centre for Development Policy Management, 2008, Maastricht

- IPBS being used across the whole administration.
- PPII is a shared vision among senior management assisting the province to work better as a province. Generally a consensus among PMT of being a province with an agenda.
- Most keenly want to see results in better service delivery.
- PMT has benefitted from working smarter and working together.
- PMT meetings well organised and documented in many cases.

There are very good examples of the results of individual competencies and organisation capabilities coming together in a broad range of provincial service delivery capacity development activities and processes[4] to which PPII has made a significant contribution including:

- **Overall provincial administration improvement.** At the 2008 Peer Review the PA Milne Bay Province made a comprehensive presentation on the achievements under PPII. This is a sample from his paper, please refer to Annex 5:

    – The Provincial Management Team meets quarterly;
    – District Management Teams are now operational;
    – Integrated Planning and Budget Process (Linked to 5-Year development/Sector plan and MTDS) have been adopted for 2009 Budget Formulation;
    – The Milne Bay Provincial Annual Budget integrates all Sources of Funding (national grants, internal revenue, special support grants, GSAT, mining, etc);
    – The Milne Bay Provincial Annual Budget clearly indicates allocation for services by Districts;
    – A Staff Database has been established manually and is updated regularly;
    – Job Descriptions for all positions have been established;
    – A Performance-Oriented Staff Performance Planning and Appraisal System is now in operation; and
    – Inventory of all Key Assets of the Province has been established;
    – PPII Procurement Guidelines now in place;
    – PPII Procurement Committee has been established;
    – Procurement under PPII funding is being accessed and is ongoing;

[4] activities in which the provincial government demonstrates its capacity and which should result in improved service delivery

- There are two AusAID co-located officers based in the Province;
- A New Coding System for PGAS has been developed;
- An Integrated Planning and Budgeting model has been adopted for the 2009 Budget formulation of the province;
- Strengths and weaknesses of in the area of human resources have been identified; and
- A District Executive Training Program has been developed and implemented.

These activities and successes are typical across the program. At the same Peer review the PA Sandaun presented a similar paper.

- **Corporate plans are in place**. This is the starting point for PPII engagement. In Annex 5, the PA for ENBP explained to the 2008 Peer Review the benefits of having a working Corporate Plan. Annex 6, Section 3.3, Enga Province explains its rationale for developing a corporate plan and its expectations.
- **Budget linked to plans -** plans are now connected to budgets. Budgets with financial delegations are getting down to districts and LLGs. There is a better balance of resources particularly to MPAs and provincial priorities. There is line of sight from budget to priorities bringing increased credibility to the budget as a management tool. The Milne Bay's IBPS story is told at Annex 5, Section 3.6.
- **Moving staff to districts and LLGs –** result of new corporate organisations and PPII's contribution is high in ENB, EHP, Sandaun, Central and MBP. The EHP story on staff restructuring is told at Annex 6, Section 3.5.
- **Implementation guided by 'bottom up' district plans** –PPII contribution of advice and funding resulted in bottom up plans that address provincial priorities and national MPAs. Some plans adopt total funding view – all sources. The Central Province presented at both the 2008 and 2009 Peer review on the success of their development planning, please refer Annex 5 and Annex 6, Section 3.12. The ENBP story are told in Annex 6, 3.13 respectively. Sandaun's experience in district planning is related in Section 3.14.
- **Improved working environment**; refurbished offices, better environment, more commitment
- **Gender has been integrated** in provincial activities. See the ENBP reflection in of Annex 5, Section 3.7
- **Assets management systems** have been implemented. See the West New Britain Province and MBP examples in Sections 3.9 and 3.10 of Annex 6 respectively.
- **Implementing the Capacity Building Plan –** participating in the PPII process builds capacity to monitor, report and assess. A wide range of capacity building and service delivery activities have been undertaken under the Capacity Building Plans. All participating provinces have successes in this area some illustrated in the table below. Madang's experience is related at Annex 6, Section 3.4. At the 2008 Peer Review the PA EHP outlined progress under that provinces plan

Sample of Provincial Activities Supported under the Capacity Building Plans

Province	Highlights of Incentive Payments	
	Capacity Building Related	Service Delivery
East New Britain	• HR Restructure Exercise • Development Planning from PHQ – Districts & LLGs • Gender has impacted on: • better networking with Div., Districts & LLGs; • Increased Provincial awareness • Integrated gender issues into Administrative operations • Integrating Gender into Planning & Budgeting • Improved Governance • Improved Monthly Financial Information Dissemination	• Utmei Road Sealing • Purchase of Office Equipment • LLG Facility Support • Planning Office upgraded
Sandaun	• District Engagement Practices such as the Strengthening of District Development Forums held once a year in Districts • Establishment of District Performance Monitoring Committee to monitor aspects of PPII Programs + other programs in Districts • HR assistance to the Administrative structure • Improved governance	• Purchase of office equipment • Office Refurbishment • District Charters on fortnightly to do deliveries on pay slips, School materials, medical supplies
Milne Bay	• Developed Inventory of Assets and coding for both PHQ & Districts • HR assistance to the Admin. Restructure exercise • Roll out of Integrated Planning & Budgeting Systems	• Construction on the New MBPA Conference Facility • Renovation of Community Development Building • Purchase of VHF/HF Radios • Purchase of Office equipment including districts
Eastern Highlands	• HR Organizational Restructure • Asset Management	• Sealing of Airport Road • Construction of New Female Dormitory in Tairora High School (Obura/Wanenara District) • Purchase of Office Equipment • Maintenance of district roads
Central	• Development of 5 District Plans • Induction of new recruited officers • TA support given to Chart of Accounts from PHQ-LLGs • Strengthening of AAPs with the	• Maintained District Houses • Renovation of HR Conference Room/Planning offices • Construction of Kupiano District Office • Renovation of Sogeri Health Centre

Province	Highlights of Incentive Payments	
	Capacity Building Related	Service Delivery
	budgets	

4.3 Keep, stop and start

During the review the team used a simple tool to capture ideas from individuals as to what PPII should ‘*keep*’ doing, ‘*stop*’ doing and ‘*start’* as a new activity or approach. The next two pages list some of the suggestions from approximately 50 returns. *There is no science to this list*. Its value is in the words used. Some bullet points include more than one person’s contribution where ideas are the same

PPII aspects to KEEP

Read all statements with the words “PPII should keep . . .”

Ownership

- PNG ownership – DPLGA management
- Encourage increased provincial ownership and management
- PPII continuity is essential for enhancement
- Capacity building approaches
- capacity building for provinces; focus on capacity or organisations and personnel at provincial level
- continue using the capacity building plan to strengthen management performance
- work with provinces through monitoring and support to address management and capacity to use resources
- province to province dialogue; provincial exchange visits
- continuous liaison with DPLGA for better monitoring
- linking provinces to national agencies; maintain and build linkages between national agencies and provinces; more assignments and linkages within government and external partners; strengthening regular dialogue coordination between provincial head quarters and national agencies; strengthen and maintain effective dialogue between the province and national departments; reassess PPII and its roles to ensure other agencies effectively perform their roles and responsibilities; DPLGA to start talking more to other national agencies (health, education, works); focus on more effective bridging of and working with other levels of government. (*Increased support for province –national agency engagement was the most common suggestion.)*
- its demand driven approach with an incentive based engagement strategy
- PPII consultations/meetings/experience sharing/exchange of knowledge
- exchange programs; non TA activities e.g. provincial exchanges; provincial exchanges with specific terms of reference

Monitoring & coordination

- continue monitoring by CBD; retain CBD project liaison officers for communications and liaison
- Coordination by CBD
- developing its emerging M&E system
- current M&E process with CBD

Inputs

- advisers, but only for specific areas and assignments; TA support only where required;
- funding with conditions; funding support within specific guidelines
- incentive program
- counterpart strategy – use nationals as TA – work on sustainability
- roll-out Phase 2 to other provinces

PPII aspects to STOP

Scope

- selling PPII as the sole solution to the provinces; should not try to take total responsibility of capacity building in provinces; seeing PPII as the 'saviour' of the provinces
- expansion and consolidate now; trying to service all 18 provinces – focus on selective engagement; inducting any more Phase 1 provinces;
- duplication of roles from/ or that are already going on by other programs/ national agencies/ and donors; duplicating of work and roles DPLGA/PPII ISP/provinces; duplicating work of other agencies e.g. DPM;
- DPLGA trying to do all M&E
- PPII should stop doing other agencies business
- Stop and relook at the focus of the PPII phases

Funding & inputs

- remove incentives
- K1 million incentives
- allocating funds in lump sums to provinces
- adding restrictions to commitments already approved by the Steering Committee
- TA assistance in those provinces confident of running their sectors
- No more TA recruited in PPII; stop TA – it should be internalised
- TAs being managed by AusAID or ISP; Tas reporting to AA and ISP only
- employing TAs with no experience in the public service
- extensive use of TAs

Associations and management

- Close association with AusAID SNS – separate PPII and SNS; AusAID should not be managing PPII they need to step back more than they have
- PPII being branded as an AusAID initiative
- CBD being the only DPLGA division in PPII
- CBD being the Secretariat make it PLLSMA; remove PPII secretariat from CBD and replace with PLLSMA.

PPII aspects to START

Scope

- PPII as a 'national coordination' program rather than a provincial performance improvement initiative. This focus will help provinces to implement their plans more effectively and efficiently.
- look at capacity needs of the districts and LLGs and their systems and processes; support LLGs and facilities; engagement with LLGs and districts building their capacities
- roll-out PPII to districts and eventually LLGs
- Provinces in preparatory phase should be inducted into Phase 1 and not wait
- build DPLGA capacity to do policy issues and workable policies
- specific program to build capacity of those in DPLGA managing the program

Capacity Development

- mobilising national agencies to jointly go into provinces
- use NEFC data and analysis as basis of PPII work looking at gaps that need strengthening
- address management issues
- staff exchange program and more on-the-job training
- job attachments and secondments
- introduce quality awards recognising innovation as part of peer review
- more province and national agency dialogue and coordination
- better incentives for performing PPII provinces [increase funding]
- more research to support better M&E

Monitoring

- performance management monitoring
- integrate PPII and provincial monitoring with NEFC work

Funding and inputs

- streamline the process for advisers to work with a province. It takes too long. PPII funds to be put straight into PGAS for better accessibility

- use GoPNG funding processes and systems
- transfer funds in tranches based upon performance
- increase funding

Associations and management

- add some provinces to management arrangements
- elevate PPII from CBD; institutionalise PPII in DPLGA
- use PLLSMA sub-committee as steering committee
- simplify PPII management structures and blend into GoPNG existing systems
- use PLLSMA to take the leading role to influence development and coordination. Right now it is malfunctioning.

4.4 Remaining challenges

Many of the challenges facing PPII are now discussed under the specific terms of reference, please review Section 5. It is appropriate here to mention a couple that influence the success of a program like PPII, sometimes negatively, despite its best efforts.

- Provinces can undertake all the corporate planning in the world. They can build systems and make policies. However, in most situations they will not be effective if the overarching enabling environment is not addressed. Physical constraints including housing, electricity, a lack of health workers and schools, poor communications are all significant constraints on the ability of provinces to move officers to districts and LLGS to improve service delivery. All of this is well-known through reviews such as the grass-roots complied *Service Delivery Model Mechanism* report, *Vision 2050* and the *National Strategic Development Plan (2010-2030)*. However, the Review Team observes that the real issue is often not a lack of money, but how the available funding is allocated and released into a province.

  Many provinces are receiving significant funding from the national government, DSIP for example, but it is not coming into a province in a manner that ensures that the provincial administrator and the public servants can ensure the spending of it is coordinated and directed at priorities. Even if PPII supports a province to create bottom up development plans there is no way of ensuring that members and national agencies support it. This is a problem created by both the national government and its agencies, and development partners – parallel systems of financing and engagement. In one of the provinces the team visited we estimated that over K250 million came into the province from government and donors, while only K100 million was transparent on the provincial budget. Section 6 of this Review is a reminder of the roles and responsibilities of provinces, the provincial administrator as the chief accountable officers and other agencies to ensure better and improved coordination and more effective use of resources.

- PPII started out as a joint program of DPLGA, DNPM and AusAID. As you will read in this review it has increased its scope to include all provinces in some form or another. The significant challenge for DPLGA is to make this program, its methodology and its capacity development approaches its core business. PPII has reached a plateau, particularly for the Phase 2 provinces. It needs a boost. It needs to evolve itself into something more closely identified with government's overall development agenda. It has a good platform to do that from, particularly the goodwill and strong representation DPLGA now has with provinces. The Review proposes a way forward, please refer to Section 7.
- Finally, while there has been some good examples of whole of government cooperation the next iteration of DPLGA support for provinces has to significantly stimulate and encourage greater involvement by the other central agencies. Provinces now holdup DPLGA and NEFC as examples of how they believe they should be supported by Waigani. They value highly the access, the interest and the support (often not monetary) that they receive. The challenge for DPLGA is to use government mechanism and processes to bring this closer engagement. This is within the role of DPLGA as the 'mother' department for the provinces.

5. Specific terms of reference questions

NOTE: In this section each sub-section starts with the specific terms of reference, in italics.

5.1 Policy Alignment

Policy Alignment *– assess the opportunities for PPII to be aligned with government policies including Vision 2050, the Long Term Development Strategy, the proposed Integrated Service Delivery Mechanism Model and the implementation of the Organic Law, particularly to the functions of the Department in assisting provinces meet their obligations under the Organic Law.*

When PPII was established in 2004 there was a generally policy vacuum in implementing the decentralisation strategy. There was the 1995 Organic Law changes, the then Medium Term Development Strategy and several public sector reform initiatives mainly directed at the national agencies.

In the policy arena Papua New Guinea now has:

- *VISION 2050*
- *The National Development Strategic Plan (2010 – 2030)*
- *Integrated Service Delivery Model Mechanism* – an important document developed out of five provincial case studies finding approaches to fix the ‘enabling environment’, i.e. housing, electricity, transport, banking and other necessary facilities and infrastructure for services to be rolled out to the people
- A growing realisation at the political level that PNG is doing poorly on the Millennium Development Goals with some indicators actually decreasing (e.g. maternal health)
- Effective inter-government financing reform delivery significantly increased function grants from GoPNG to provinces based upon the cost of services model
- DSIP & District Treasury roll-out
- ‘Service delivery” is the only game in town in the sense that politicians, national agencies and development partners are seeking to improve development outcomes – sometimes with what seems to be competing policies, programs, activities or mechanisms.
- Political expectation is extremely high, although often not matched with funding or the commitment of funding that is available, e.g. DSIP
- New provincial district institutional structures are emerging, e.g. provincial health authorities
- A DPLGA prepared and NEC endorsed power-sharing consultation paper in circulation with the provinces

DPLGA is at the centre of some of these developments. The provinces are at the centre of ALL of them. It is even more critical that DPLGA is in a position to work with provinces, district administrations and LLGs to support them to do their job in this environment. Public policy expectations are very high.

RECOMMENDATION #1:

a. DPLGA support for provinces should have a strong implementation focus building capacity in systems and processes directly related to service delivery.

b. The future 'PPII' should seek to support greater coordination among the central agencies to support the government policy agenda and the public's expectations.

5.2 Governance

Governance *– review and evaluate key aspects of program governance including:*

- *The governance structure of PPII program*
- *The PPII criteria for phase 1, 2 and assist in defining some criteria for phase 3*
- *The incentive funds associated with each PPII phase*
- *The role of Government of Papua New Guinea in supporting the program*
- *The alignment of PPII to other government reform initiatives, such as SDMM, DSIP, PCaB, SIP, PSWDP.*

Governance structure

The governance structure for PPII is virtually unchanged since 2004, please refer section 3.3. It is a 'project' model with interdepartmental coordination mechanisms and strong and visible support from AusAID and its ISP. The modality was appropriate in 2004 given the inherent weakness in DPLGA.

A consequence of the modality is that despite PPII being a GoPNG program, and it developing as a strong and well recognised brand, some stakeholders clearly identify it with AusAID. It was stated many times that PPII was an AusAID project, sometimes by people at high levels.

The Department of National Planning and Monitoring has disengaged as a partner of DPLGA in PPII. This happened progressively over a number of years with little senior DNPM engaged in 2009/10 following the retirement of a senior officer who worked regularly with DPLGA. DNPM's Deputy Secretary Zarriga told the review that in her view PPII should be a DPLGA activity, including the management of the head financing trust account currently held by DNPM. She also believes that the new PPII should have a different name. The Review Team agrees.

There have been difficulties in getting the PPII Steering Committee to meet regularly and in a timely way. This is understandable given other pressures that other member agencies have. This has resulted in delayed decision making, particularly around:

- the admission of new provinces to each phase; and
- the payment of incentive funds.

The PPII Working Committee never met. As noted below the PPII Secretariat has worked well in the last two years with good engagement by middle level agency officers across government.

PPII and other GoPNG and AusAID supported activities have significantly strengthened the DPLGA divisions, particularly CBD, PMD and Legal, Policy and IT Division. The review Team observes:

- The divisions are operating semi-independently and coordination within DPLGA needs to be improved as the parts are not contributing to strengthening the whole to the extent that they could be.

- Internal coordination is lacking the strong influence of the Top Management Team, particularly during the time when the Secretary has also been Acting chief Secretary
- There should be higher level deputy secretary engagement in resource management, program oversight and the facilitation of whole of government coordination, e.g. with the deputies in DPM, Finance, Treasury
- PPII and its structures should merge into DPLGA and its role as the secretariat for the Provincial and Local Level Services Monitoring Authority, please refer Section 6.2

DPLGA has reached a point where all major decisions about PPII and similar programs should be made by the Secretary of DPLGA in the course of the ordinary business of the department. This includes complying with the agreed processes for particular development partner funded activities. Making this change will indicate clearly that PPII is a GoPNG program and is part of DPLGA's core business.

AusAID played a significant mentoring and implementation role for PPII in its early stages. It deliberately scaled this back from late 2008. AusAID's future engagement should be through the *Partnership for Development* and the re-designed Sub-National Strategy, something AusAID is planning for late 2010. The Future Framework section of this review recommends some areas for future AusAID engagement, please refer section 7.

RECOMMENDATION #2

a. Establish the new 'PPII' as a DPLGA program through the DPLGA Strategic Plan with a new name reflecting DPLGA's strategic and capacity development support for provinces
b. PPII and all donor programs, including AusAID's SNS and the EU's local level government program should be coordinated and engaged at Secretary and Deputy Level
c. Strengthen DPLGA to manage and coordinate its core activities, integrating PPII and other government initiatives and donor activities into its core way of working

RECOMMENDATION #3

a. All major decisions about PPII and similar programs of DPLGA support should be made by the Secretary of DPLGA in the course of the ordinary business of the department; and within the agreed processes for particular development partner funded activities.
b. Establish PLLSMA as the 'oversight body' for DPLGA assistance in support of improving decentralised service delivery capacity
c. Secretariat and intra DPLGA and inter government departmental arrangement for all donor assistance part of DPLGA core business and within its structure, with appropriate development partner participation.

PPII Criteria and Phases

As illustrated by the *Guide for Services and Performance Requirements*, please refer Annex 4, PPII was designed around a strong set of public administration criteria in a formula driven phasing. This approach was an appropriate one for 2004 and still is appropriate to go forward with, albeit extended. It is an appropriate structural base for DPLGA to continue to support the provinces as part of its core business.

DPLGA and the provinces have found the structure easy to implement and monitor in terms of compliance, please refer to the examples in Annex 5. The joint monitoring process over a period of time can provide an indicator of improved provincial public administration capacity, but little comparative work has been undertaken.

The Review Team observes that to some extent PPII has not reached the ambition of this original concept:

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

Our reasoning is:

- All provinces are now in PPII, please refer to section 3.1. PPII cannot and should not be rolled back.
- The current PPII criteria for the Preliminary Phase and Phases 1 and 2 are relevant to all provinces as a base indicator of capacity. The way PPII has developed it is not really about the three aspects highlighted above.
- Meeting the criteria has in most cases become a means to the end of collecting the incentive payment. In other words it has become a 'tick the box' approach to getting the incentive money with few if any sanctions for weak performance.
- The capacity development activities have largely been broad and what some people call 'theoretical'. Put another way the approach is to build capacity within the administration and then seek to apply it. It could be argued that PPII original conceptual approach was to seek to support provincial, district and LLG initiatives and then come in behind them with specific capacity development activities to address the individual competencies and organisational or team capabilities. An example of the difference in the approach would be for the first case PPII to offer a generic training program for LLG managers. While the second approach is illustrated by observing that East New Britain Province has recruited and appointed new LLG managers and that PPII supported ENBP to run its own training program for the managers.
- This is not to say that provinces were not serious about making the necessary public service improvements. Most are serious but PPII did not ask or report on the question "now that these improvements have been made what examples of improved capacity to delivery services are observable?"
- Most of the current examples of improved service capacity have come from the Phase 2 provinces use of their incentive funds, rather than improved provincial public administration capacity.
- It is admitted that this observation is a little harsh as it will take some time, and in most cases the enabling environment needs to be addressed, for the impact of IPBS, bottom-up provincial planning and more responsive organisation structures to be observed.

Review Team believes this is the construct for redefining PPII's use of the phases and criteria simply because PPII has been successful in this approach.

As recommended in section 7 the Review Team sees the future program with two levels. The first level is where DPLGA works with all provinces on core public administration capacity:

- All current PPII phases merged, i.e. preliminary, 1 and 2.
- All provinces eligible.
- The current criteria are the minimum.
- Some additional criteria included after a joint review as part of the design process with additional criteria for performance management, legislative compliance and policy.
- This work becomes DPLGA's core business in an activity that brings the core DPLGA service delivery teams together.
- Engagement around a joint assessment involving DPLGA, the provinces, central agencies and NEFC every two years.
- Access to a 'basket of support' up to K400,000 (this is a maximum and the actual payments should vary in value) in value for non-technical assistance capacity development activities to build individual competencies and team and organisation capabilities (province, district and LLG) directly.
- Access to some technical assistance from provincially based advisers and a Port Moresby based team for specific assignments related to processes and systems supporting implementation activities, monitoring and performance reporting.
- Most funding for this level should come from GoPNG through an annual Development Budget appropriate to DPLGA with:
- Development partner support for technical assistance, and
- Provincial counterpart funding and resourcing.

The second level is a new incentive level where the province is encouraged and supported by DPLGA and the development partners to undertake on its own initiative reform opportunities that **capitalise on the initiatives of** Provincial and District Administrations and Local-level Governments that **have already started** based upon current development improvement plans and that can **show a strong commitment** to following them though.

The Review Team envisages for this level that it would be entirely 'demand' driven with the province in the driver's seat in seeking funding in a competitive round with other provinces. The province would have a high level of compliance with the previous PPII criteria as a starting point. Then there would be:

- much higher threshold or gateway criteria to be developed by DPLGA and provinces during a design phase. The current Incentive Fund 'gateway' criteria may be a starting point, e.g.
  - Clear Vision, Mission and organisation purpose
  - Continuity in committed leadership and governance
  - Clear exposition and evidence of organisational, administrative and financial capability, i.e. unequivocal excellence against the current PPII Phase 1 and Phase 2 criteria
  - Track record of service delivery

- Two years of audited annual accounts and annual reports (minimum s.199 reports) demonstrating transparency
- Reliable networks and partnerships
- Committed staff team with demonstrated organisational performance
- HIV and AIDS, and gender mainstreamed in practice and in policies.

- Additional criteria specific to decentralised government:
  - ability to spend function grants as assessed by NEFC in its annual expenditure reviews
  - provincial budgets showing direct line of sight for the government's MPAs from the province to districts to LLGs
  - the extent to which financial delegations and funding been made accessible to facilities at the lowest possible level of service delivery
  - are public servants actually being transferred to districts and LLGs and working there (i.e. operation capacity being established
  - provinces meeting the new quarterly reporting requirement introduced in 2010 to include qualitative information with the spending reports
  - the extent to which Minimum Priority Activities are monitored and reported on
- The province with assistance from DPLGA would provide to DPLGA as part of an annual budget cycle:
- Its application or bid for funding up to an upper maximum (to be agreed in the design but say for illustrative purposes K2 million)
  - its response in the form of an assessment to the 'gateway' criteria
  - its concept document, and budget, for up to three years of assistance for specific service delivery capacity development initiatives.
- Lessons from the Incentive Fund show that there is value in applicants preparing a brief concept of its development proposal in the first instance.
- The bids from the provinces would be assessed by DPLGA, with assistance from the SNS ISP, and reviewed by a PLLSMA sub-committee.
- With GoPNG and development partner budget restrictions these activities should be programmed and approved for a period of longer than one year. Three or four year financing agreements should be achievable.
- If a province meet an enhanced set of gateway and organisational criteria it can seek resources for capacity development in support of activities that have already started, which are based upon detailed plans and to which they can demonstrate commitment. Support could:
  - Strengthen public administration in the PPII Criteria and Corporate plan KRAs
  - At the provincial, district and LLG level processes and systems that support *specific* service delivery initiatives;
  - Enhanced performance monitoring and reporting particularly on the MPAs and outcomes in the key sectors of health and education

- Support and facilitate a province’s plans and objectives under power-sharing particularly to remedy weaknesses identified in an assessment of capacity related to the devolution of powers; and
- Support a province to work directly with a development partner to fund development activities in the province through provincial government systems and processes.

RECOMMENDATION #4

a. Current phasing structure is abolished. The current PPII Preparatory Phase and Phase 1 and 2 criteria are used as a basis for a new DPLGA core program of support for the provinces building capacity in their own, and district and LLG, processes and systems for service delivery.

b. DPLGA with the provinces and development partners designs a new ‘demand-driven’ incentive phase for provinces that meet an enhanced set of gateway and organisational criteria to seek resources for capacity development in support of activities that have already started, which are based upon detailed plans and to which they can demonstrate commitment:

Incentive Funds

Many questions and issues were raised about the incentive funds and their usefulness:

- Some thought the funds were a distraction from the capacity building activities. There is strong evidence that provinces spent a lot of time implementing the agreed Capacity Building Plan which set out how the incentive funding was to be spent. The Review Team observed that this did have the tendency to concentrate the provincial people involved in PPII on spending the incentive funding rather than the wider service delivery agenda. This is exacerbated in PPII as a significant part of the DPLGA joint monitoring is on the CBP, rather than on the wider monitoring of the use and application of increased capabilities across the administration
- Several provinces said that they did not need the funding given other sources of funding. Alternatively, they spent the incentive funds on infrastructure (e.g. roading) because it was easier to spend it. One of the PPII assessment criteria for receiving a subsequent year’s incentive fund is to have 80% of the previous year’s funding spent. It is an incentive that encourages spending of facilities and infrastructure rather than system and process capacity.
- For some provinces with small internal revenues and much lower administration function grants the funds are important. The Capacity Building Plans for these provinces show that the incentive funding has been used on facilities and activities the help the province work better:
  - Additional computers and office technology
  - Staff training in the use of computers
  - Staff training on provincial, district and LLG systems
  - Improving office facilities and staff working conditions.
- At another level the incentive funds were often not enough to implement any major service delivery activity. One million kina can purchase a few new houses but the funding is not enough for a province to make a significant impact. This level of Phase 2 funding in what is

called the 'service delivery phase' had the unintended consequence of creating a perception that PPII was delivering significant service delivery improvements itself. This was clearly beyond what PPII could do. What is more important is that PPII develops the capacity of a province, and the competencies of individuals, to use other resources effectively to improve service delivery.

- The trust account mechanism comes with a lot of administration and high transaction costs. While there have been no major audit issues the minor issues that have arisen have got in the way of good relations. The mechanism also contributes to the impression that PPII is a donor controlled 'project'.
- There have been issues with how the funds were budgeted in the provincial accounts, e.g. Eastern Highlands Province implementing sound public finance principles included the funds in the Internal Revenue Budget for the province. The politicians immediately reassigned the budgeted funding to infrastructure rather than the administration's preferred capacity development activities under the agreed CBP.
- The funds from GoPNG and AusAID are limited. PPII cannot continue to expand to all provinces equitably if the current levels of support were to be available to all provinces over the next three to five years. Currently PPII is like an escalator – progressing through from Preliminary to Phase 1 through to Phase 2 is almost automatic– current levels of funding cannot continue.

All that said the incentive funds have been used well by some provinces:

- specific small scale service delivery activities and infrastructure
- facilitating and stimulating vertical engagement and communications in planning activities
- improving working conditions at the provincial and district HQs
- training activities for individuals
- travel and communications with districts and LLGs.

There is another issue, equity. Currently, provinces can receive these inputs:

- DPLGA officer support
- Incentive funds
- Technical advisor support from the Port Moresby 'fly-in fly-out' squad, and
- Locally based technical advisers.

There is no boundary or top-in budget for the total combined budget that a province can be awarded. Already there is unevenness in the draw-down of total resources, please refer to Section 3.3 (PPII financing and inputs) where the TA positions are listed. The Review Team believes that this cannot continue.

The Review Team believes that the correct approach is to look at the total resource allocation to a province with all inputs being costed. TA cannot continue as a 'free good'. TA should be costed into what a province draws down for its activities. If a province wants to use all its budget on TA then provided it is well scope and outcome orientated so be it. They should be able to. But they should not be able to take three TA and K500,000 in cash.

Similarly a province should be able to take a cash component if it wishes to buy services from the private sector or a government partner, e.g. Finance Training Branch or DPM's advisory services.

RECOMMENDATION #5:

a. Assistance available to provinces under the future PPII should be part of an approved budget with an upper limit that takes into account all inputs including:
   a. cash transferred to the province
   b. technical assistance – at a standard rate
   c. payments made by DPLGA for services purchased from third parties.

b. DPLGA should try to ensure that while specific needs are addressed provinces receive an equitable (but not necessarily equal) allocation of resources.

GoPNG and AusAID financial support for PPII

GoPNG and AusAID support for PPII is described in section 3.4

If the recommendations of this review are adopted DPLGA should seek from government Development Budget funding to undertake what is described as the core capacity development functions for all provinces.

Assuming that across the 18 provinces (excluding ARB and NCD) the average cash incentive was say K300,000 an annual budget under the GoPNG PIP of around K 6 million would be required.

The Review Team observed that the current AusAID engagement is largely with the directors of divisions within DPLGA. We strongly believe that the DPLGA Secretary and Top Management Team have to be in better control of and manage:

- the engagement with the development partners,
- the allocation and use of all available resources to implement DPLGA's Strategic Plan, which does not exist,
- the management of the activities funded by the development partners, and
- the monitoring and reporting of performance to government and the development partners.

This recommendation includes the EU project and all proposed activities.

RECOMMENDATION #6

a. DPLGA seeks GoPNG PIP funding for the program of core support to build provincial public administration capacity to a minimum standard.

b. All assistance, from GoPNG, AusAID and other development partners, is fully integrated into the financing of the DPLGA Strategic Plan

c. The Secretary and TMT directly manage the engagement with development partners and the allocation of resources to the department's Strategic Plan.

Alignment and engagement with government reform initiatives

A notable feature of the consultations for the review has been a strong demand for better and more provincial engagement with central agencies. DPLGA has set a benchmark for other central agencies to meet.

There have been some good examples of engagement and support:

- provinces engaging with DPM on organisational restructures
- cooperating with PCAB and SPIA
- central agencies supporting the PPII Secretariat meetings and the SC
- regular support by DPLGA for NEFC activities and vis-a-versa.

There are also some lessons to be learned:

- Some friction was created when advisers positioned themselves inappropriately in the relationship between the province and a central agency. For example, it is entirely appropriate for advisers to work with a province to change an organisation structure under the new devolution of personnel management powers. However, where friction did arise, from a DPM point of view, was where the advisers inserted themselves into the communications link between the province and DPM. Rightly or wrongly, DPM felt that advisers were running the reform agenda not the province and that they DPM had no space to operate it, i.e. to give advice or to engage with the province. Advisers should be working with the province as the client and the client doing the engagement with government.
- Similarly, advisers should not be providing services that are available, note are available, and which *can be provided* from within government. Where possible DPLGA should be encouraging provinces to seek the services of government entities that are charged with specific responsibilities, if those agencies can actually deliver, e.g. Finance Training Branch for training on the *Finance Instructions* and the *Public Finance Management Act*. Or, other programs such as SPIA and PCAB could be supported based upon an assessment of need.
- Provinces, or DPLGA, could use program funds to facilitate the engagement as service providers of other government capacity development organisations.

RECOMMENDATION #7

a. DPLGA through PPII should have as a prime objective supporting provinces and central agencies to engage with each other and if necessary fund the engagement

b. DPLGA should encourage use of central agency capacity building services e.g. Finance Training Branch, DPM advisory services, SPIA, PCaB etc. DPLGA and its TA should not duplicate available government services.

5.3 Efficiency

Efficiency *- evaluate the efficiency of program in supporting provinces, building provincial capacity, through the provision of financial and technical assistance:*

- *Review Technical Advisers TORs process*
- *Review the Technical Advisers recruitment process*

- *The management of Technical Advisers, their reporting channels and reporting of TAs to AusAID Co-located officers*
- *Review the process of channelling PPII financial assistance into provincial trust accounts for timely implementation of the Corporate Plan.*

Technical assistance

There has been an increasing use of technical assistance (TA) in PPII, please refer to section 3.4. Advisers are both international and Papua New Guinean.

Firstly, the positives:

- PPII is supported by SNS with a significant number, more than half, of Papua New Guinean advisers.
- Recruitment and management processes for advisers have improved significantly. There is now more DPLGA and provincial involvement in recruiting and scoping of the position. Interviews are held in-country.
- Recently there has been some increase in reporting by the advisers to provinces and DPLGA. However this is a new development.
- The Review Team heard very few personal criticisms of individual advisers. Criticisms when made were generally around the inability of the province having a direct role to ‘manage’ the adviser and his or her work.
- There is strong evidence in significant adviser contributions to the successful activities as well as building the structural foundation of PPII.
- The AusAID co-located officers were seen as a valued resource from the beginning of PPII, although not without issues currently as their role evolves.

The use of TA in the whole PNG aid program is an alive topic. At the time of writing this report a joint review of TA is being undertaken by both governments following the endorsement of the report on the Review of the Development Cooperation Treaty.

Some of the core issues raised in that report surfaced during this review:

- Is TA the only solution? Or, is it the default solution?
- An issue seems to be that the need is not properly analysed nor is the range of potential solutions explored, more on that later.
- Targets and desired outcomes from technical assistance need better definition
- It has to be acknowledged that there is a culture within the PNG bureaucracy that often seeks TA as the first solution. There are many reasons for this:
  - The Australian Aid program has distributed TA as a ‘free good’ for over two decades
  - The approach is reinforced in many cases, not just within SNS and PPII, by the practice of having advisers and the supporting contractor make or participate in the assessment. Consciously or unconsciously there is a bias towards seeking TA as the solution.
  - Hiring an adviser is often the easy solution.

- Some AusAID contracts pay the implementing contractor based upon the number of advisers hired, within incremental bands, and with a maximum number of TA. There is little financial incentive for a contractor to use its own resources to work with PNG partners on non-TA solutions, particularly if they increase overhead costs with no reimbursement. The SNS contract is such a contract with the ISP's remuneration based solely on the number of TA employed. The Review Team notes that there is no evidence that the SNS ISP skimped or cut corners in not supporting non-TA initiatives. There is evidence to the contrary where the contractor went beyond its contractual duties on occasions.

Specifically related to the review of PPII the Review Team concluded:

- Overall the recruitment and management of the advisers is assessed as very good. There was some evidence of a couple of poor placements which were rectified by the ISP. The Review Team could not review every single position and it was not appropriate to do so. We note that the 2009 Independent Review Team of the ISP's performance for AusAID concluded: "*ISP performance in identification, selection, recruitment, and induction of technical advisers was good overall, and conducted in accordance with Merit Based Selection processes. Induction processes were typically very thorough. Some mobilization delays occurred, although it is arguable that these were beyond the control of the ISP. The ISP has put in place procedures aimed at avoiding if possible such potential delays in the future.*"
- While advisers have comprehensive and very detailed terms of reference there seemed to be a lack of definition about particular assignments and tasks. This was more usually associated with the Port Moresby Based fly-in fly-out advisers. Administrator's asked "what are they doing, I am not sure. It is easy for advisers in this type of position to become 'freestyle' or 'go out on a frolic of their own.'
- The administrators generally had a better idea of what locally-based advisers were doing. However, the same issue arises. Where does their task begin and end? What stops the adviser becoming part of the establishment of the administrator?
- Technical assistance for capacity development in the provinces and DPLGA needs to move to activities directly related to <u>implementation</u> and <u>driving performance</u> in provinces and districts.
- There is a tendency in PPII, and the aid program as a whole, to employ a person to a generic position of 'Budgets and Finance Adviser" or as a "Human Resources Adviser" because it is known, or assumed, that provincial system capacity in these areas is weak. Therefore a generic position description will suffice. When the problems are analysed properly in detail, particularly six or more months after the initial request or assessment, the actual 'solution' may not be a generic adviser. The solution may in fact be a more specifically focussed long term adviser or a short term consultancy or some other input. The point to be made is that the generic advisory positions can have a tendency to lose focus and become 'part of the furniture' over a period of time. As other commentators have noted these advisers build relationships with their host agency or province and have opportunities to influence the future of the position – a decision in which they have a conflict of interest.
- Significantly increase the rigor of the initial problem analysis and the potential solutions:
  - TA should be available for transactional work (in-line in the administration structure) through to transformational or advisory work. There was a strong request from provincial

administrators for expertise that could be engaged to directly assist implementation of specific high priority development projects. However, whatever the modality it needs review points and an exit strategy.

  – Always ask the question **HOW CAN WE FILL THIS GAP FROM WITHIN GOVERNMENT?** If the answer is yes, then the next question should be what additional resources are needed to make it work? Does the support have to be to the province or could it be to another government agency for it to work with the province. DPLGA has to be particularly careful not to duplicate or replicate roles and responsibilities of other agencies.
  – Always examine the potential to link into government – examples DPLGA Legal, PCaB, SPIA, Provincial budgets Division, Finance Training Branch, the Auditor General, DPM's HR Advisory Services etc

- DPLGA as the provider of TA and resources to the provinces can use an approach similar to the development of the Capacity Building Plans to agree with each province on the need, scope and tasking of all TA. This 'consulting contract" which can be quite simple can then be used to drive the work plan and the reporting by the advisers.
- All advisers:
  – Need terms of reference that highlight the capacity development objectives of the position and the required competencies of the advisers.
  – Should have work plans, reviewed six monthly, that reflect the 'consulting contract' between DPLGA and the province listing the required outputs and desired outcomes with timings, the phasing, the expected inputs all listed.
  – Should be managed by the province, with the ISP, against the agreed work plan. Advisers should report regularly to the province and/or DPLGA according to the work plan.
  – Should have their performance assessed in a collaborative process engaging the province, DPLGA and their employer.

Finally, it has to be noted that almost all provincial administrators consulted requested advisors who:

- Are experienced in the PNG public service; and
- Who could help them 'fill the gaps', or 'join us up".

This last request has more to do with bringing into the province senior experienced former public servants who could mentor senior provincial officers, and support the PA with change management approaches appropriate to the PNG public service. Positioned around specific activities and tasks the role is an expanded version of the current Corporate Planning and Implementation Advisers. The administrator would like to see Current Corporate Planning & Implementation Advisers move focus - become Provincial Implementation and Performance Advisers to:

- Keep the province moving on improvements under the corporate plan and its development plan
- Support the actual improvement activities in the province & districts, and
- With specialised support improve reporting & monitoring on key sectors and MPAs

The Review Team believes that there is a significant pool of retired or unattached officers who could fulfil this role. They could remain on the unattached list receiving their GoPNG salary. As an incentive they could receive an allowance to bring their remuneration to the appropriate market position as if they were engaged as an adviser on the open market. The Review Team believes that such an approach, if it could be implemented transparently and on merit, has a number of advantages:

- Widens the recruitment pool for experienced public servants;
- Enables experienced and qualified former public servants to engage in project work without losing the government public service entitlements
- Directly makes a GoPNG financial contribution supplemented by development partners

Finally the Review Team believes that the total number of advisers can be reduced based around a number of principles:

- Consider the matters referred to above i.e. better problem analysis, look for alternative solutions, and seek support from government agencies.
- Do not support TA that could and should be funded from other sources. For example, although the response is understandable it is difficult to justify PPII funding for advisers to implement DSIP activities in select locations. DSIP is better funded than DPLGA and the provinces. Some members are funding their implementation advisers from DSIP funds.
- Put specific time limits on assignments and measurable outputs and preferably outcomes. Terminate TA support that drifts or becomes non-performing.
- Narrow the range of TA available and be more specific, for example:
  - Budgeting and financing development plans and implementation
  - Human resource management and administration to relocate staff to districts and LLGs
  - Project managers/advisers to plan, design, implement and monitor particular significant service delivery projects for the province when other sources of funding are not available
  - Performance, monitoring & reporting for the MPAs
  - Strengthening provincial reporting on performance e.g. s119, audits, annual report
  - Establishing and managing practical and affordable provincial database and information capture tools
  - Strengthening gender equality and implementing HIV prevention activities in service delivery approaches

RECOMMENDATION # 7

a. Technical assistance for capacity development in the provinces and DPLGA needs to move to activities directly related to <u>implementation</u> and <u>driving performance</u> in provinces and districts. It should be closely linked to the specific purposes of each of the two levels of assistance proposed in this report.
b. Overall there needs to be more effort put into defining the required need and assessing non-TA and TA options as the solution. Supporting other government agencies to do their job, rather than replicating it within DPLGA should be a priority.
c. Where TA is the appropriate option engagements should be more specific and targeted in their definition with work plans reflecting the specific tasking, the output and the desired outcome on a province by province basis

d. TA should be available for a range of contributions including hands-on in-line activities if appropriate through to the more indirect transformation advisory assistance. However, whatever the modality it needs review points and an exit strategy.

e. Provinces and DPLGA need to be more engaged in the management and performance assessment of all advisers.

Financing arrangements

This section covers financing arrangements in some detail because it will be of interest to AusAID and our recommendations as to the way forward.

AusAID funds are deposited into the Head Trust Account controlled by DNPM. The Department is requested to release the funds to the various trust accounts in provinces. That request comes from ISP after all funding requirements have been fulfilled by each province including signing of PPII Funding Agreements. Two different arrangements exist for Phase 1 and Phase 2 although the difference is not relevant to the review.

Neither DoF nor DNPM has been actively involved in PPII recently and this may partially explain the problems being encountered. DoF officers in the provincial treasuries manage the funds.

Issues:

- In the past 15 months there have been long delays in having the funds transferred from DNPM to provinces. Constant changes in personnel at DNPM has meant that the ‘corporate knowledge’ of PPII within the Department is non-existent except at the most senior level of Deputy Secretary. The ISP has been required to brief new officers on almost every occasion funds are requested. Apart from this, the internal processes for releasing funds, which requires the signature of the Secretary DNPM, are slow.
- The system requires the establishment of Subsidiary Trust Accounts in each province (the type differs between Phase I and Phase II provinces). Each account is established under the *Public Finance (Management) Act 1995* (PFMA) and requires the approval of the Secretary of Finance for Phase 1 accounts and the Minister of Finance for Phase 2 accounts. This should be relatively straight forward: DPLGA writes to the Secretary who, in turn, signs the instrument or seeks the approval of the Minister of Finance. However, delays in getting the Madang sub-imprest account approved illustrates the frustrations currently being experienced. To date, the process has taken over 12 months. Three separate letters have been written to the Secretary with no response. Numerous follow-ups, by both DPLGA and ISP officers, have amounted to nothing.
- When the ISP requested the release of PPII funds, DNPM was unable to ascertain the current balance of the main trust account or the receipt of 2009 PPII funds from AusAID from its own records. This is a concern to the Review Team. DNPM requested the ISP to provide bank statements to confirm this information. This is despite DNPM having a statutory obligation to reconcile and report on the trust account each month to the Department of Finance.
- At the external audit of the main trust account for the year ended 31 December 2008, the auditors were unable to engage with DNPM and had to complete the audit from records maintained at ISP. This is a major concern to the Review Team given GoPNG’s obligation to AusAID to account for developing funding.
- The ISP is not sure whether or not the head trust account has been reconciled and audited.

Generally the trust accounts are operating well at the provincial level.

- Each provincial trust account is controlled by three signatories, usually two senior provincial officers and the provincial treasurer. The movement of funds is, therefore, at the discretion of these officers. This has implications, as was illustrated last year when the Milne Bay administration transferred the entire one million kina grant to their operating account in a lump sum. Fortunately this was picked up by ISP and the administration was persuaded to reverse the transfer.
- The perception created by the funds sitting in a provincial trust account can also cause problems. This year Eastern Highlands Province attempted to bring its PPII trust funds into its 2010 Budget rather than rolling them over as is provided for in the PFMA. This was avoided, but only after some fairly blunt negotiations with the administration.
- In late 2008 the provincial administration of West New Britain incorrectly applied PPII funds against normal operating costs intending to replace the PPII funds when cash became available. The error was discovered through ISP's internal audit in April 2009 and the province alerted to the need to correct the error by transferring the funds back into the trust account. This took until January 2010 to achieve. While ISP was confident that the error was inadvertent and was a mistake, the delays in resolving the matter inevitably cast suspicion on the administration and had the potential to damage relationships between the province and DPLGA, AusAID and ISP. A similar issue arose in Simbu over a much smaller amount.

Funding for provinces should be on-budget. This is the aim. The difficulty is how it can be done. GoPNG has a number of mechanisms including:

- a function grant – which is not available
- treating it as internal revenue – which is not desirable because of the potential for political interference
- a national grant – which has possibilities but the use of Australian funds via this mechanism would require GoA/AusAID to accept a higher level of fiduciary risk than currently, or
- the project trust account mechanism as currently used with its associated external and internal audit procedures.

From the GoPNG either the function grant or national grant is the best approach as they are on-budget and on-treasury. However, such a function grant does not exist. Generally speaking in most provinces politicians do not touch the grants. In 2010 DoF has issued two Finance Instructions on the use and carry-over across financial years of the grants. The Review Team favours the use of the national grant provided DPLGA can work with DoF to ensure that any funds are quarantined for the stated purposes. This is an area of technical expertise beyond the Review Team and needs further work.

DPLGA would also have to work with AusAID to establish it level of tolerance for fiduciary risk. If GoPNG funds DPLGA for the core activities the AusAID issue does not arise. The Review Team recommends that AusAID funding move solely to the new incentive phase in which additional safeguards could be put into place, similar to those operating under the Incentive Fund. In essence the successful applicants, in this case a province, establish a separate project bank account that is externally audited.

However, in the interim the current the head trust account under the aegis of DNPM should be transferred to DPLGA. The Department would then task ISP to manage the account on its behalf. This maintains the lead agency role of DPLGA and establishes a reporting link between DPLGA and ISP. Signatories would be drawn from DPLGA and ISP. The ISP then recommends:

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

Overall the proposal seems sensible to the Review Team. However, there may be concerns from AusAID with the payment of the funds into the provincial operating account:

- Finance Instruction 1/2010 requires 'national grants to be paid into a new provincial grants account' – this may be more appropriate than the operating account, and
- What is AusAID appetite for fiduciary risk given that the funds will be co-mingled with function grants and other national funding?

RECOMMENDATION #8

a. Secretary for DPLGA writes to the Treasurer and Secretary for Finance seeking to have the requirements of Clause 6 of the trust instrument for the Sub National Strategy Trust Account implemented and the account externally audited.

b. The Sub National Strategy Trust Account instrument is amended to replace DNPM as the administering department with DPLGA.

c. DPLGA, AusAID and ISP consult with provinces and seek to implement the ISP's recommended mechanism.

d. For the medium to longer term DPLGA, working with Treasury, Department of Finance and NEFC explore a mechanism either using a new Function Grant (Capacity Development) or a quarantined national grant to finance activities in province 'on-budget and in-treasury'

5.4 Coordination

***Coordination** - assess and evaluate the progress of PPII in ensuring close consultation, coordination, linkage with national agencies, statutory bodies, NGOs, provinces and the elected leaders and within the Department.*

- *Role of PPII Secretariat, Steering Committee and the PPII Working Group*
- *Review the role of AusAID Co-located Officers*

- *Review relationship between the political leaders and the administration, on how PPII can solicit political support*
- *Review the role of Implementing Service Provider (ISP) in building the capacity of the officers in the department and provinces. The ToRs of the Technical Advisers in supporting Capacity Building in the Department as well as the provinces*
- *Review the operational support AusAID, ISP as a quasi government agency to GoPNG*

Coordination by Secretariat and Steering Committee

This has been covered by other aspects of the review, please refer Section 3.2. It is pleasing to note that in the recent past support for the Secretariat has increased significantly with good engagement from other agencies.

In the future the Secretariat role should be continued as a means of supporting the whole of government focus.

RECOMMENDATION #9

a. The Secretariat for a program such as PPII should be within DPLGA's corporate planning division where development partner support and intra-department coordination can be enhanced.

b. DPLGA should consider using existing mechanisms for coordination such as an appropriate PLLSMA sub-committee. Coordination is PLLSMA's statutory role.

c. Development partners can be invited to participate through these GoPNG coordination mechanisms.

AusAID Co-located officers

The AusAID co-located officers role has changed, please refer to Section 3.4. The Review Team acknowledges once again the strong AusAID support to establish PPII. It also acknowledges that in recent years AusAID has disengaged from the direct management of PPII in the field by the co-located officers.

During the review three provincial administrators were unanimous in their remarks about how they saw the current and future role. The following are direct quotes:

- "we value the contact with AA co-located officers particularly in influencing AusAID internally"
- "they have all been good people and we have enjoyed having them here, but what is their role?"
- "they are useful in conveying our views into AusAID"
- "now that they do not 'manage PPII' the question is what their role is?"
- "their current role not thought out well from my point of view"
- "law and justice, HSIP, education, CDS and transport sectors come here and the co-located officers have nothing to do with them and those sectors. That is of no value to me!"
- "If they stay they must coordinate the whole AusAID program in this province"
- "AusAID is welcome to sit in on our management meeting, but they can give us more"

- "I would welcome them at SMT if they can coordinate the whole aid program."

Provinces are strongly of the view AA officers in province must have power and authority to coordinate all AusAID activities in province from a planning and reporting perspective. Sectors can engage directly at an operational level, provided the higher level engagement and coordination is in place with the administration. For all the PAs the issue is one of respect for the GoPNG system of government that has the PA at the centre of coordination.

An issue for the PAs was the level of experience of the AusAID representatives. There was a clear preference for older people experienced in public service, GoPNG if possible.

RECOMMENDATION #10

DPLGA, with the appropriate government department DNPM engages with AusAID on the roles and responsibilities of the AusAID representatives in the provinces.

Political engagement

There was limited political engagement by PPII with politicians. This issue has been discussed previously as an opportunity missed, please refer to Section 4.1 (Not so successful). When it did happen it consisted of:

- PAs engaging with governors on their plans
- Provinces briefing local members and PEC members on PPII as part of the budget process
- DPLGA providing briefings to governors on several occasions.

There was no consistent strategy of marketing of PPII to the political leaders as a useful and valued DPLGA and provincial initiative. This is an area that needs to be improved in the next phase. Building the confidence in provincial and district public servants is critical to having politicians support the administrations with resources and political support.

AusAID and ISP operational support

An AusAID role as DPLGA's partner is discussed in other areas. Apart from financial support AusAID has contributed significant senior management time and effort from within the Post and the SNS team in particular.

The major element of ISP operational support has been the management and care of the large team of advisers in Port Moresby and across the country. This is a significant task that should not be under-estimated. The ISP 2009 Performance Report by the Independent Review Team concludes:

- *"The ISP Logistical and Administrative Support practices (inclusive of security management) are well documented within the Program Procedures Manual (PPM) with other specific policy information available to advisers. The level of support provided by the ISP to their advisers has been identified through interview (anecdotally) to be considered satisfactory overall."*
- *Overall the performance management of the technical advisers is strong. The ISP has a structured performance appraisal and typically appraises adviser performance twice as often as anticipated indicator 7.1. These appraisals are undertaken by the Team Leader or Deputy Team Leader, and the IRT considers there is strength in this approach.*

While we did not enquire into the other aspects the Review Team supports the conclusion on adviser support.

The ISP worked closely with DPLGA and the provinces in many aspects of PPII including funds management, annual planning, support for the Secretariat and recruitment and management of advisers. The review Team heard no serious or concerning criticism of the ISP's performance in these areas.

5.5 Performance Measurement

Performance Measurement – *assess and evaluate the effectiveness of PPII monitoring and evaluation, including:*

- *The role of PPII in building provincial and district monitoring and reporting capacity.*
- *The scope, role and implementation of PPII monitoring and implementation by DPLGA and identify any significant constraints;*
- *The effectiveness of PPII reporting to central agencies, CACC and the NEC.*

This is not the place to have an extended discussion on M&E. However, as PPII's M&E has similar weaknesses to other GoPNG programs and donor-funded activities it is worth going back to basics quickly.

PPII's M&E can be looked through eight key questions:

1. What changes in service delivery are happening in the provinces?
2. How much of what is changing has resulted from PPII?

Goal /

3. Has the capacity of the provinces and districts changed? If so in what way?
4. To what extent have the PPII CBP activities created impacts & benefits?
5. What lessons were learned that influence future activity selection and design?

Outcome

6. What were the results (or benefits) of each CBP activity?
7. Were the activities and outputs implemented as planned?
8. Were they technically appropriate and of quality?

Activity / output

As has been noted PPII has done well in recent times in reporting on the answers to Questions 6, 7 and 8. The DPLGA CBD team, working with provinces, has reported regularly to the Secretariat and Steering Committee on the activities under the Capacity Building Plans. Similarly in completing the assessments based upon the criteria for each of the phases based upon the Guide to Services.

The Peer Reviews, implemented in 2008 have been a good start in moving to Answer Questions 3, 4 and 5. Sharing of experiences and lessons and celebrating successes is very important. However, this is a very limited activity.

There have been other examples where the ISP has undertaken activities that address part of the framework. For example, the ISP undertook a lessons learned study of non-TA approaches to capacity development. But once again these are ad hoc, generally completed at AusAID request.

Provincial and district M&E

A significant issue based upon discussions with the provinces is the very weak M&E capacity of provinces. It is not overstating it to say that most provinces are not able to answer Questions 7 and 8. Almost all M&E is based around finance and the spending of the budget. Additional information comes from national agency supported databases in each of the sectors. Provinces use these sources of information to complete their s. 119 reporting obligations.

The quality, timeliness and effectiveness of the spending is not measured. Provinces are struggling to measure the quality of appending on the MPAs. Many have received significant increases in function grants targeted at the MPAs. In most provinces there is no system to measure the quality of the spending and whether services are improved through better planning and more funding. With PPII support two provinces, Central and ENBP, are building databases and information systems to capture basic activity information on the MPAs. Others such as Sandaun and Milne Bay are looking to use the indicators recorded in the Integrated Planning and Budget System (IPBS) by sector to report on performance. Sandaun has gone as far as employing a Monitoring Officer in the PAs office to start this process.

All of these are ad hoc individual efforts. During the review of the draft conclusions of this report the six PAs present all agreed that building M&E and performance management and reporting capacity was the priority.

This is not a task for DPLGA alone. Other national agencies are involved. The MPAs are the responsibility of the Provincial Budgets Division of Treasury which manages the function grants.

Finally, performance management and reporting is not an optional extra. It is part of the management cycle, for example the Integrated Planning and Budgeting System should be called the integrated Planning, Budgeting **and Monitoring** System. M&E needs to be resourced properly at a variety of levels:

- Monitoring of the activities funded by DPLGA in the provinces
- Resources made available to provinces to develop their capacity to undertake M&E on their performance in a few key service delivery activities, in association with other national agencies where necessary
- A set of small research activities, based on the above, drawing out significant public policy service delivery constraints and issues that can be taken forward, with evidence, to the NEC. This is the role of the DPLGA Policy, Legal and IT Division.

RECOMMENDATION # 11

Building M&E and performance reporting capacity within DPLGA and at the provincial and district level should be a very high priority for DPLGA under the future PPII.

i. Initially, to be practical, DPLGA should support Phase 2 provinces to report on a select group of the MPAs in the education and health sectors.

ii. Provinces should be supported to meet the requirement to produce an annual performance report, with audited accounts.

iii. The performance management TA available to the provinces needs to be strengthened.

iv. DPLGA needs to retain TA for itself on performance management.

v. DPLGA needs to initiate several small research activities on key public administration issues constraining service delivery to support policy submissions to NEC, with evidence, to seek change.

PPII M&E by DPLGA

As has been noted elsewhere in this review DPLGA's M&E activities have improved significantly in the last 18 months. They are making the Guide for Services work. The CBD team have built a platform for further improvements.

The Review team notes that much of this improvement can be attributed to the current adviser working with the CBD team. This is a critical position and should be retained when the present adviser ceases fulltime engagement in PNG in the near term.

The Review team recommends that the current advisers approach be retained and supported by part-time short term inputs, if available. A fulltime adviser is required but the person must be selected carefully to maintain current approaches and methodologies. The disruptive effect on a poor selection would be significant.

Reporting by PPII within DPLGA and government

DPLGA reporting to Secretariat has been very good. DPLGA CBD Director has kept the Secretary well briefed.

Presentations were made several years ago to the provincial governors and treasurers. There have been several submissions prepared for CACC and NEC, but none recently. This is a weakness.

RECOMMENDATION # 12

DPLGA regularly briefs CACC and NEC on its support for improved provincial service delivery capacity focussing on actual examples from the provinces. When appropriate DPLGA should propose policy changes, supported by evidence, to improve service delivery from the provinces' perspective.

6. Legal & policy environment for decentralised service delivery

This section is a refresher on the constitutional and policy environment for Papua New Guinea's three tiers of government in terms of service delivery. This context is often forgotten by those seeking to intervene in service delivery.

This review recognises and adopts as its policy foundation:

- Vision 2050
- the Organic Law
- The Prime Minister's expression of the direction of decentralisation and government policy, and
- The NEC endorsed commentary on provincial roles and responsibilities as contained in the consultation document of power sharing.[5]

Vision 2050

In November 2009, the Government launched the *Papua New Guinea Vision 2050* which maps out the future directions for the country and reflects the aspirations of the people. The Vision is underpinned by seven strategic focus areas, which are referred to as pillars:

1. Human capital development, gender, youth and people empowerment
2. Wealth creation
3. Institutional development and service delivery
4. Security and international relations
5. Environmental sustainability and climate change
6. Spiritual, cultural and community development; and
7. Strategic planning, integration and control.[6]

In relation to the pillar on institutional development the Vision 2050 calls for the maintenance of the three tier political system and a clear policy on the 'devolution of responsibilities' as well as a continuation of public sector reform.[7]

[5] DPLGA, Discussion Paper – national government position on power sharing and the proposed national Framework, April 2010 (endorsed by NEC 26 May 2010)

[6] National Strategic Plan Taskforce, *Papua New Guinea Vision 2050*, Government Printer, 2009 at p. 3

[7] National Strategic Plan Taskforce, *Papua New Guinea Vision 2050*, Government Printer, 2009 at pp 7-8

6.1 The Organic Law

Brief history

In terms of its history the first organic law on decentralisation was the Organic Law on Provincial Government 1977. This Organic Law left a lot of doubt about the transfer of powers (and ultimately administrative functions) from National to Provincial Government and it remained a "work in progress". Local-level Government were more or less left out.

Devolving powers and administrative functions was a stop and start affair during the 1980s and the most common impediments being expressed was the lack of capacity of Provincial Government to take on new powers and complaints from Provincial Governments about getting sufficient grants from National Government to implement new responsibilities. These issues were just some of the many decentralisation reform issues identified in various reviews and Committees during the 1980s and early 1990s.

When the replacement organic law on decentralisation (i.e. The Organic law of Provincial and local-level Government 1995) was drafted, it attempted to resolve many of these issues. Some of the changes included:

- Local-level Government was once against recognized.
- The new organic law provided a much more comprehensive and detailed list of law making powers that were the responsibility of Provincial Government (section 42) and Local-level Government (section 44)
- The new organic law provided that administrative functions for Provincial Government and local-level government can be made by a law in Parliament (Sections 43 and 45).

In 2009, such a law was passed known as the Inter-government Relations (Functions and Funding) Act. Section 5 of this Act provided that the Governor General can make a Determination by notice in the National Government that assigns service delivery functions and responsibilities to Provincial and Local-level Government. A draft Determination was developed and endorsed by the Provincial and Local-level Service Monitoring Authority in November 2008 and finally agreed to by NEC in June 2009 before being signed off by the Governor-General in February this year.

1995 Organic Law

In 1995, the Organic Law on Provincial and Local Level Government again focused on efficiency and citizen contributions. The ***preamble*** to the Organic Law on the Provincial and Local Level Government passed by parliament in 1995 stipulates that the key rationale for reforms is to provide basic services in water, health, education, transportation, communication, accommodation and social order through self reliance; where each and every citizen of the nation is given the opportunity. It further explicitly states that the provincial and local level governments were established and given the responsibility to achieve the above goals for improved service delivery**.** Hence, the rationale for establishing the lower levels of governments was to provide services to the people**.** Hence the role of government, particularly the Provincial and Local Level Governments is pretty much established, and that is to provide basic services. The Organic Law further appreciated the need for a skilled public service to support Provincial and Local Level governments, hence the establishment of one line public service.

The designers of the Organic Law on Provincial and Local Level Government appreciated the need for coordination and therefore at Provincial levels, the Provincial and District Administrators are assigned the responsibilities of coordination national agencies work in provinces as provided for under Section 74 of the Organic Law.[8]

This is further complemented by National Agencies being tasked the responsibility of formulation of policies and coordination of implementation, and providing technical and professional support to provinces under Section 80 of the Organic Law.[9]

The provincial administrator

The role of the provincial administrator is often overlooked or ignored. The role and responsibilities are very clear as provided in Section 74:

74. FUNCTIONS OF THE PROVINCIAL AND DISTRICT ADMINISTRATOR.

(1) The Provincial Administrator of a province–

(*a*) shall be the chief executive officer of the Provincial Government; and
(*b*) shall be the administrative head of the staff in the province; and
(*c*) is **responsible for the efficient management of administrative services in the province**; and
(*d*) shall **maintain overall supervision and direction, in accordance with an Act of Parliament, over all officers and employees assigned or otherwise employed to carry out the functions of the National Government** (other than the law enforcement agencies unless by special arrangement with these agencies) **and the Provincial Governments and Local-level Governments**; and
(*e*) shall **co-ordinate and monitor the roles and functions of the National Departments and agencies**; and
(*f*) may by written instrument, delegate all or any of his powers (except this power of delegation) relating to a district, to the District Administrator of that district; and
(*g*) shall **co-ordinate policy formulation, planning and implementation of policies** as required by Sections 25 and 106; and
(*h*) shall liaise with the Provincial Government and Local-level Government support services on the overall functions of the Provincial Assembly and the Provincial Executive Council; and
(*i*) shall liaise and consult with the Provincial Treasurer on budget and treasury matters; and
(*j*) shall perform such other functions as are prescribed by this Organic Law or by an Act of the Parliament.

[8] Section 74 (e) The Provincial Administrator shall co-ordinate and monitor the roles and functions of the National Departments and agencies

[9] The role of the Departmental Head of each National Department shall be to—
(a) formulate the national policies and co-ordinate the implementation of those policies in the provinces and local-level government areas; and
(b) provide support to the Provincial Administrators and District Administrators with planning, professional service and consultancies, and to maintain standards as prescribed by the national laws

There is a strong theme of *planning, coordination and monitoring* of all activities in the province.

Let us consider the hierarchy of responsibility in the province

- The provincial administration is responsible to develop the provincial corporate and development plan
- The district is responsible to co-ordinate the implementation of the provincial corporate and development plans and its LLGs
- The LLGs are responsible to implement the provincial corporate and development plans specifically in each LLG areas at the ward levels

The Provincial Administrator

- is the chief accountable officer of all public funds in the province
- through PMT and TMT aligns provincial budgets with provincial plans according to functions, programs, and projects in each district and LLGs
- monitors expenditures through quarterly budget reviews, whether budgets are expended according to planned programs and activities. Where funds are not used on intended purpose the provincial administrator directs for explanation from responsible divisional heads or directs investigation on the expenditure of public monies
- through the PMT and District Management team directs/initiates preparation, formulation, implementation and monitoring of provincial, district and LLG plans
- through PMT and DMT reviews the corporate and development plans annually or when plans are expired. New initiatives are included and KRA's reprioritized based on changing needs and demands of the public and provincial government or new government policies and initiatives. He can decide what should be included in the plan and what should not be.
- could decide the outcome of any provincial plan or policy. He can influence support and resources from both the provincial government and public service to achieve an outcome. He holds an important and powerful office in the province.
- influences support from politicians, TMT, PMT, DMT and other stakeholders. He is the leader in the province that has the authority to influence investment and development.
- decides what programs are priorities for funding and implementation and which are not, consistent with government priorities and public pressure.

The PA is the "Father" that everyone looks upon to deal with all provincial problems and challenges in the province.

Local-Level Governments Administration Act 1997

In 1997, the LLGA Act was drafted primarily to guide the implementation of legislation and government policies. The preamble of the LLGA Act stipulates the implementation of the *Organic Law on Provincial Governments and Local-level Government*. The district administrator and public servants based in the district and LLG's are responsible to ensure this is achieved. Hence, the challenge is for the government to ensure public servants are located in the district and LLG areas, and that their houses and their places of work are built and maintained in order to encourage commitment and dedication.

The LLGs must be supported and funded in order for it to perform its function. However, current experiences have indicated that despite having LLG Plans and willingness of staff at the LLGs to perform their duties, they are inadequately resourced.

Public Finances (Management) Act 1995

Section 5 of the Act stipulates that each Departmental Head is responsible for ensuring that:

- all records are properly maintained relating to the functions and operations of the Department
- all necessary precautions need to be taken to safeguard collection of public moneys
- all expenditure is properly authorized and applied to the purpose for which it is appropriated
- that there is no over commitment of funds and a review is undertaken each month to ensure there is no over-expenditure, and
- that all budget plans are aligned with governmental plans.

However what do provinces do when politicians have different views to that of the Provincial Administrator, or limited funds are spread out thinly on competing and varying needs and demands? What will the Administrator do when budgeted funds and other unbudgeted funds from donors and DSIP etc, overlaps without him knowing? There is a need to coordinate all funds for provinces to be channelled through DPLGA so that expenditures are monitored and duplication of funding is restricted. This would allow the Provincial Administrator as chief accountable officer to properly align budget plans with development plans and incorporate expenditures of public funds in the province.

This should facilitate Section 50 of the Act that requires that Chief Executive for each body is responsible to submit to the Department of Finance a performance and management plan in respect of the organization for which he is the head, in coordinating all funding.

Section 70 (a) requires that 'provincial governments and LLG's shall maintain bank accounts with financial instructions'. This is to ensure that no moneys shall be paid by PG or LLG except moneys appropriated under an act or moneys deemed to have been appropriated under an act or to meet expenditure that is charged on that PG or LLG by a law.

Public Service (Management) Act 1995

Section 24 provides on Responsibilities of Departmental Heads, requires PA's to be responsible for the general working of his department/provincial administration; responsible for ensuring that government policies and decisions relative to his department are implemented.

The Provincial Administrator is the chief executive of the Provincial Administration. It is his responsibility to ensure all of government policies, plans and budgets are implemented by public servants when and where required. But who is to be responsible for failure in implementation of government policies, when politicians interfere and /or insufficient or delay in receiving of funds from Waigani? Why does Waigani still allow funding from both government and donors to go to provinces but not channelled through government system for funding provinces?

There are still inconsistencies in the whole of government approach to strengthen and achieve government goals and improve service delivery in the provinces. The government's actions often do not reflect its commitment to improving service delivery. Provincial Administrators are often not supported from Waigani to improve service delivery.

RECOMMENDATION #13

a. Strengthen public administration in the PPII Criteria and Corporate plan KRAs

b. At the provincial, district and LLG level processes and systems that support *specific* service delivery initiatives;

c. Enhanced performance monitoring and reporting particularly on the MPAs and outcomes in the key sectors of health and education

d. Support and facilitate a province's plans and objectives under power-sharing particularly to remedy weaknesses identified in an assessment of capacity related to the devolution of powers; and

e. Support a province to work directly with a development partner to fund development activities in the province through provincial government systems and processes.

6.2 PLLSMA

In order to achieve orderly and effective operations between the levels of administration under the **"one line public service",** the Organic Law created the Provincial and Local Level Service Monitoring Authority (PLLSMA). The Authority which comprises key sector agencies is mandated to **coordinate and monitor implementation of government policies to improve services**. Its establishment and functions are captured in Section 110 of the Organic Law.

The framework that is provided in the Organic Law is essentially about convergence from national to provincial level in coordination of efforts in providing services. This is essential given that service delivery functions are a shared responsibility between the various levels of administration. The framework requires both vertical and horizontal coordination. The "Vertical Coordination" focusing on specific and unique services and date for specific and unique needs of people whilst Horizontal Coordination is vital for the wider public services where there is shared responsibilities and resources by large number of agencies at both national and provincial levels.

The Review Team makes no judgement on the proposed SDMM program or approach.[10] However we are more than happy to adopt the analysis around the importance of using current government institutions and processes to enhance monitoring and coordination. This commentary, adapted from the Draft SDMM Report was confirmed by our own extensive discussions in provinces on the constraints and possible solutions. These solutions are what the provinces want. They want DPLGA assistance to get on with removing these constraints, now!

Given the large number of government agencies and institutions involved in service delivery both at policy and implementation level, coordination and collaboration is indeed vital. Coordination is essential for formulation and implementation of GoPNG policies. Linkages and flow of key sector information is essential and needs improvement. There is a need for a unified public service and public opinion on impediments to rural economic growth and further work required to build on recent gains. Coordination issues are summarized as follows.

[10] We have not included any recommendations that suggest endorsement or funding for SDMM. That s still under consideration by government and it would be inappropriate for us to comment.

- **Coordination at National level.** Inadequate stakeholder inputs into sector wide policies because of weak linkages, and that leads to disparity between policy formulation and actual implementation.
- **Coordination between National and sub-national organisations.** Currently, there are no formal linkages between Sector agencies and Provincial sectors; rather this is through the Provincial Administrators. A clearer link is important for national policies translated into programs for implementation.
- **Coordination between Provinces and Districts.** Strengthen linkages between stakeholders at Provincial, Districts and Local Level Government levels, in particular between partners in developing a collaborative approach to agriculture development.
- **Coordination of Resources.** Rationalization of existing National Government grants to Provinces by quarantining funds for specific programs that are consistent with National Government policies at sub-national level. Also apply integrated planning approach to allow for complementary support to key programs.
- **Opportunities for partnership in services delivery**. Currently Provinces are not fully utilizing opportunities available for outsourcing extension as well as targeted priority training and agriculture and rural livelihoods information services function to other public and private enterprises.

It is important therefore that there is effective collaboration and partnership between agencies to share information and resources to service citizens. And that is the key function of PLLSMA. The PLLSMA was dormant up to year 2000 but is now reactivated. Its reactivation started in 2004 with the formulation of DPLGA's first corporate plan.

The Review Team does not think that DPLGA is fully functional as PLLSMA. The department needs significant support and encouragement to fulfil its key functions and thereby increase its ability to support provinces through better intra government coordination and monitoring. These key functions include:

- PLLSMA meetings
- PLLSMA and Provincial Administrators meeting
- PLLSMA secretariat support to Annual Governors Meetings
- PLLSMA sub-committees for service delivery sectors
- Provincial Coordination and Monitoring Committees established at provincial levels to improve coordination and monitoring
- Function Assignment project to clarify roles and responsibilities
- Improved provincial performance monitoring through revitalization of Section 119 report.

Coordination and consistency

The PLLSMA reactivation and operations has now given opportunity for improved working relations and coordination between the levels of government in implementation of key policies and priority programs.

As the state goes further into supporting development at provincial levels, the issue of coordination becomes much more vital. There is need for coordination from national in terms of policy formulation to local levels in terms of implementation.

The need for consistency from national to provincial levels is vital for improved service delivery.

The need for clarity and consistency is vital for engagement and commitment from relevant stakeholders to share their expertise to support the government to achieve its objective of empowering the people. The government system of delivery and mechanism should basically improve the need for:

- Policy consistency
- Implementation consistency
- Clarity in roles and responsibility
- Capacity building consistency
- Performance Management Consistency

PPII should have as an underlying strategy support for these five themes.

There is also need for effective coordination of capacity building initiatives to support provincial administration. Whilst these initiatives are important and have genuine reason to support provincial and district administrations, lack of coordination does impact on the sustainability aspect of the programs.

Currently there are important programs like PPII, FMIP, PFMTP, SPIA, PCaB and SIP which are targeted provincial and district administrations. However, without proper coordination these initiatives also affect the performance of front line officers because of time taken to attend training and workshops.

There is need for effective coordination and consistency in capacity building in supporting sub-national administration. Whilst the national agencies mandated to provide technical and professional support to provinces, the key issue now is coordination and consistency. This is further expressed by the Provincial Administrators in their consultative meeting early this year in resolving to request all capacity building support provided at provincial levels to be better coordinated to reduce the time taken by their officers attending workshops and conferences away from their work stations and the province.

The DPLGA as the Secretariat to PLLSMA to improve coordination of capacity building to support provinces and LLGs. The calendar apart from coordination should ensure that capacity building initiatives are based on supply and demand with DPLGA coordination of initiatives at national levels and supporting provinces based on their requirements in line with capacity building plans.

Effective coordination is necessary to ensure effectiveness, quality and more importantly relevance and sustainability.

Clearly there is need for effective coordination amongst the agencies of government in *implementation* of government's service delivery initiatives. From the provincial perspective, implementation is now creating more work-load for front-line service delivery providers instead of giving them the opportunity ofo meeting the expectations of the citizens.

The key problem being that each government initiative has different process and with the number of initiatives it becomes a burden for front-line officers as they have to spend time learning new processes. This reduces their time to serve the needs of people.

There is need to focus on practicality and consistency in the performance management to improve service delivery.

There are so many requirements for reporting in the government administration from national to provincial levels and yet it is not related to whole of government performance scenarios.

Under the unified public sector transformation, the reporting systems will be aligned particularly for provincial and LLG levels to synchronize with the Section 119 reporting. Whilst there are different mandates and requirements the alignment is necessary to ensure performance management is vital for management processes and not a report writing exercise.

This alignment will include

- One provincial annual report linking with Section 119
- PMS by Prime Ministers Department
- Provincial Administrators Performance, review and extensions link to performance under Section 119 reporting.
- Performance Review of PA to Secretary
- Performance Management review
- Quarterly Review based on performance
- Treasury releasing funds without reviews
- HR review
- PLLSMA work to focus on implementation of Section 110
- Implement the MPAs and expand to Minimum Standards
- The use of PCMCs in the performance management

The SDMM studies recognised a number of capacities that have to be developed if service delivery is to be effective:

- The need for national agency coordination at provincial levels. The study identified the willingness of national agencies at provincial levels. For services to be sustainably delivered, there is need for coordination at provincial levels. This is within the spirit of the Organic Law.
- The need for bottom up planning and coordination of service delivery - again the spirit of Organic Law. Again a PPII priority.
- The need for improved performance management. This was strongly reiterated during this Review and should be a future PPII priority
- National agencies support provincial administrations to plan and implement their priorities
- Best Fit models vary from province to province – no one size fit all.
- The National Agency to coordinate through PLLSMA to support provinces through PLLSMA Sub-committees
- The Provincial Administration improve their corporate culture to consistently coordinate and work with national agencies through the PMT and the PCMC

6.3 NEC expectations and the vision

In his opening address to the Lae Leader's Summit, the Prime Minister outlined five policy and administrative issues that the national policy must reflect (emphasis added):

- Subject to overall policy control and direction from the National Government, the **Provincial Government must be able to plan and implement their own activities**.
- **More financial resources** must be channelled to the Provinces.
- Provinces must be accorded greater financial control and increased revenue base.
- The public service structure needs to be reviewed to shift staffing from the national to the provincial level.
- The capacity of staff at the provincial and local level must be improved.

The Prime Minister then specifically directed that the national policy for power sharing would provide for:

- a clear separation of powers between the levels of government
- that there would be an unoccupied legislative field for Provincial Governments
- responsibility for Local-level Government to shift back to Provincial Government
- reform the public service so that some national public servants are relocated to the provincial level, and
- increased capacity development for Provincial Government and Local-level Government.

In this discussion there is a range of proposals under discussion. Our purpose in listing some of them is not to make a judgment on them but more to illustrate that the political momentum is towards greater provincial and local level government engagement in service delivery for which they will need even more capacity.

- increased draw down of national government powers, service delivery functions and responsibilities
- the process to depend on an assessment of provincial capacity conducted by DPLGA
- increased provincial legislative powers
- increased and formal consultation with governors on national government policy papers
- greater discretionary control over funding including increased revenue raising powers
- greater transparency and provincial engagement in the allocation and appropriation of development funding.

These proposals, while at the discussion stage, will be shaped into the next stage of the evolution of Papua New Guinea's three levels of government. Greater actual devolution is inevitable.

RECOMMENDATION #14:

a. DPLGA as PLLSMA should be strengthened to be the centre of government coordination and monitoring activity.

b. DPLGA as PLLSMA should be strengthened to build its capacity to coordinate ALL government capacity building activities in the provinces.

c. Support for PCMCs should be a priority for DPLGA and the future PPII.

7. Strategy for going forward

Provide a report on its findings and devise strategies for future direction of the program

The Review Team notes that this section is NOT a design for the future of PPII. Based on this review of PPII it provides a broad framework for discussion in the next phase of the review.

7.1 DPLGA functions

Given the nature of the recommendations that follow it may be helpful if the review briefly sets out the functions of the operational divisions of DPLGA. These are contained in the Organic law, other legislation referred to in Section 6 and the DPLGA *Corporate Plan 2008-12*:

Policy, Legal & Information Technology

- Legal advice on powers, interpretations, drafting and representation in court
- Legal service to Minister
- Database on PG/LLG laws
- Guide on review of sub-national government
- Facilitate national policy dissemination

Performance Monitoring Division (PMD)

- PLLSMA Legislation
- Support PLLSMA sub-committees
- PCMC establishment
- Establish PCMC
- PLLSMA Secretariat
- Manage Section 119 reporting

Local Government Advisory Services (LGAS)

- Orientation of newly elected and appointed LLG members
- Manage SDLLG EU funded project
- Review District, LLG, Ward and village-based data and profiling
- Review legal aspects of Special Purpose Authorities
- LLG SPA annual reports

Capacity Building Division (CBD)

- Expand and manage PPII – the departments capacity building activity for provinces. districts and LLGs
- Strengthen WOG approach of PPII
- Database to disseminate findings on best practice
- Roll out technical modules for Corporate Planning

- Focus on district capacity.

Based on its Corporate Plan and the law DPLGA has two core client groups:

A. Expectations and needs of Provincial & Local Government

- Support in their Policy and Legislative Responsibilities
- Monitoring and Coordinating their overall Governance and Service Delivery Performance
- Capacity Building

B. Expectations and needs of the National government

- Continuing and consistent dissemination of Policy and Strategic Directions emanating from the NEC
- Establishment of National Standards of Governance and Service Delivery Performance
- Reports on the Performance of Provinces and LLGs to the PLLSMA and the NEC
- Information on Provinces and LLGs
- Coordinated implementation of National and Sectoral Programs.

A critical observation made by the provinces during the consultations was that DPLGA appeared to be working in silos based upon its divisions. The Capacity Building Division managed PPII and was well resourced. The Performance Monitoring Division worked with provinces on s. 119, the development of the PCMCs, etc. Local Government Advisory Services was managing the European Union funded district service project. Provinces complained that they would receive visits from each division when they thought a single visit could have achieved the same purpose. For example, PMD may have organised activities associated with establishing a PCMC. Around the same time CBD was conducting a quarterly review visit. At the provincial level the same officers are often involved in organising and supporting these visits. This places great time demands on the Administration.

The Review Team itself observed that CBD and PMD each have their own provincial liaison officers covering a set of provinces – often with a heavy workload. Much of this engagement is organised with little internal coordination.

7.2 Suggestions from provinces

As readers should have gathered by now we believe that the starting point is what the provinces need and want to help them to do their job in the provision of services to the people. This is what they told the Review Team:

- 'Assist and support us to be provinces within the law today'
- 'Assist to sort out how resources that come to provinces are used properly'
- 'We do not know where money goes, everyone trying to do the same thing, where are the results'
- 'Respond to helping us with provinces needs'
- We know what to do, we know our priorities, but need help to organise ourselves'
- 'Support us to take service delivery to district and LLGs and build capacity there'
- 'We need better reporting from districts and LLGs and facilities.'
- We need greater coordination. PPII has encouraged more national engagement but we need help here to make it work'

- 'We need advisers who can help us '*fill the gaps'* in process' – at senior level not technical gaps
- 'Improved monitoring'
- 'DPLGA needs to be the 'mother' department for the provinces and looking after our interests in Waigani
- 'Support implementation of new delivery mechanisms in the provinces e.g. Provincial Health Authorities'
- "Provide training to help us manage our resources'

7.3 Future Overall Approach

After taking all of the above into account the Review Team attempted to draft an overall goal or objective for PPII. The best we could come up with was:

> *Working in PNG's strongly decentralised environment the prime purpose of PPII is capacity development initiatives in provinces, district and LLGs and in Waigani that:*
>
> - *increase the competencies of individuals,*
> - *enhance the capability of organisations and teams (in government and with other service delivery agents) to work together horizontally and vertically, and*
> - *directly builds organisational capacity to use the decentralised powers, functions, resources and system of government to deliver services.*

When the Review Team set out the objective as above an obvious and serious question became apparent immediately:

> WHY HAVE PPII (AS A PROGRAM AND BRAND) WHEN THE OBJECTIVE IS OR SHOULD BE CORE FUNCTIONS FOR DPLGA?

Put another way 'what capacity should PPII be building given the extensive resources available to it?' Capacity development is but a means to an end, in this case the provinces being better at doing what provinces have to do. If that is accepted then the department has an obligation to develop capacity in provinces across all its core functions coherently.

When put together this lead the Review Team to conclude that to simply recommend that PPII be continued or that a new Phase 3 be established (as contemplated by the ToR) was inappropriate. Based upon the consultations and our own conclusions the Review Team concluded:

- The PPII Preparatory Phase, Phases 1 and Phase 2 are a sound structure for DPLGA to continue to support the provinces to meet the needs of the provinces. But it begs the question – "should this not be the core business of the whole of DPLGA rather than a program located in one division?'
- Should the concept of PPII be revised to incorporate capacity building in all the core organisational competencies required of a province under then Organic Law?
- DPLGA then works with provinces on these competencies in a manner that efficiently incorporates all divisions of DPLGA.

- The above purpose should be replaced or replicated within the DPLGA Strategic Plan based upon what it sees at its roles and responsibilities.

What follows goes beyond the terms of reference in the sense that it asks DPLGA to look at how it is organised to do its job of supporting the provinces and government.

It also says quite clearly that in the short to medium term more resources have to be directed internally at DPLGA to build its capacity.

7.4 DPLGA Strategic Direction

Review Team believes DPLGA needs to address its strategic purpose. This process is currently underway and should be supported by government and if requested development partners. A strong opportunity exists right now to use the platform of current assistance across DPLGA's divisions to set a path for the future. The department has significant resources of goodwill from the provinces and development partners to make it even more effective.

Review Team believes DPLGA needs a:

- New strategic plan that defines the services it delivers for provinces and government; and
- A new corporate plan describing how it equips and organises itself and its staff

Initially the Review Team thought that PPII could be the vehicle for change – across the whole department. Our view has changed – 'PPII" is a specific brand within a portfolio of DPLGA activities that is strongly associated with CBD and AusAID. PPII should NOT be the driver – that should be the role of the DPLGA strategic plan. We go further and say that despite its strength the PPII name should not be used. The future DPLGA programs should develop new names and branding.

DPLGA must take an integrated view of doing its job that brings more coherence to how it works with provinces. The benefits should include:

- Making it easier and more efficient for provinces to engage with DPLGA.
- Advocating and 'marketing' these activities within government as DPLGA doing its core business thereby increases legitimacy of DPLGA with its two major 'client' groups
- Contributing to breaking down internal barriers to cooperation and encourage the effective use of resources
- Use all available resources, government and development partner, across the department.
- All funding would then be into the DPLGA strategic plan (its development plan) with functions funded from multiple sources. (put another way DPLGA needs to implement the Integrated Planning and Budget System successfully used by a number of provinces.
- Seeking GoPNG and donor support to implement the DPLGA strategic and corporate plans to drive better performance on the core functions
- Achieve better value for money in the effective use of resources (staff time, funding and technical assistance)

The current "PPII approach and capacity building activities" could support a number of core functions – but as the DPLGA approach and the DPLGA supported activities.

If this approach (i.e. taking PPII as a stimulus for change within DPLGA itself) is accepted one major consequence is that all assistance to DPLGA and provinces needs higher level management within DPLGA strategic plan. This process will take some time and requires strong leadership from the Secretary and his deputies. A good starting point, suggested initially in jest by some of the provinces at the review's forums, would be for DPLGA itself to accept as a framework for change and strengthening performance a modified version of the Phase 1 and 2 criteria. This has already started with the review of the Corporate Plan and the extension to the next 'phases' is quite simple. DPLGA will need technical assistance from time to time complete this work.

RECOMMENDATION # 15

a. PPII is wound down as a program over the next two years and is integrated into DPLGAs overall program of support for the provinces bringing together all core functions of DPLGA.

b. DPLGA prepares a new strategic plan that defines the services it delivers for provinces and government; supported by a new corporate plan describing how it equips and organises itself and its staff.

c. During the transition DPLGA uses the PPII phase 1 and 2 criteria to identify areas for immediate improvement and the SMT adopts an aggressive plan to remedy deficiencies in the short term.

d. DPLGA seeks development partner assistance to develop and implement the strategic and corporate plans.

7.5 PPII becomes a core activity

The Review's recommendations for the evolution of PPII's structure and approach are detailed in Section 6.2 under the "PPII Criteria and Phases' section. This is not a definitive design. The new approach should be designed by DPLGA, with the provinces and its development partners.

The core support phase

In brief the concept for all provinces is that:

- They are supported to undertake a self assessment of service capacity and their capacity needs which is broader than current criteria based on the Guide to Services. This could be undertaken every two years. DPLGA leads a review of this activity, with key central agencies.
- Resources are provided to the provinces by DPLGA to meet the capacity development priorities based upon the assessment.
- Current Preliminary Phase and Phase 1 activities merge and become 'core business' for DPLGA. DPLGA works together to support ALL PROVINCES in the agreed areas.
- Provinces should be able to access a 'basket of resources' to assist with these activities. The value of technical assistance should be assessed and counted in this phase. The actual value of the cash funding should have a maximum of around K300,000 and the maximum should not become the minimum.
- There should be access to the Port Moresby based team of advisers for specific assignments specified in tasking notes.

- In particular cases the province could assess resident advisory support for an implementation and performance management advisory position closely linked to implementation.

At this level it is envisaged that DPLGA provide resources applied against a defined set of activities including:

- Providing the systems and processes that support service delivery, particularly focussed on implementation
- Staff capacity building in essential competencies
- Travel for inspections, monitoring and capacity building visits to districts and LLGs
- Inter province exchange visits and peer review type activities
- Funding for central agencies to engage with provinces, particularly to engage with (and maybe resource) the appropriate national agency and its programs e.g. PCaB, SPIA, PBB, Finance, DPM (DPLGA should not duplicate available national functions or fund activities with other sources of funding)
- Increased support for performance and reporting e.g. monitoring the MPAs, compiling and publishing an annual report
- Supporting central agencies to do their monitoring job e.g. DPLGA divisions, Provincial Budgets Division
- Monitoring of performance by the key provincial divisions Some discretionary incentive funds for small-scale projects or activities

The Review Team believes that it should be the objective of DPLGA to seek GoPNG funding from the Development Budget for, as a minimum, the non-TA component of this activity. Currently DPLGA receives K2 million from the Development Budget to support the work of CBD and PMD. This could be implemented with an initial budget of around K6 million which would be more than adequate to get this program underway in the 2012 financial year. As part of the transition the TA component could be funded by AusAID as the development partner. That aspect would have to be considered during the design of the next phase and the design of AusAID's overall program of assistance for improved decentralised service delivery.

The incentive phase

The second level is a new incentive level where the province is encouraged and supported by DPLGA and the development partners to undertake on its own initiative reform opportunities that **capitalise on the initiatives of** Provincial and District Administrations and Local-level Governments that **have already started** based upon current development improvement plans and that can **show a strong commitment** to following them through.

The Review Team envisages for this level that it would be entirely 'demand' driven with the province in the driver's seat in seeking funding in a competitive round with other provinces. The province would have a high level of compliance with the previous PPII criteria as a starting point. The specific details are in section 6.2.

If a province meets an enhanced set of gateway and organisational criteria it can seek resources for capacity development in support of activities that have already started. The province must have detailed plans and they must be able to demonstrate commitment:

– at the provincial, district and LLG level for processes and systems that support *specific* service delivery initiatives;
– to enhance performance monitoring and reporting particularly on the MPAs and outcomes in the key sectors of health and education
– to support and facilitate a province's plans and objectives under power-sharing particularly to remedy weaknesses identified in an assessment of capacity related to the devolution of powers; and
– to support a province to work directly with a development partner to fund development activities in the province through provincial government systems and processes.

When designing this phase DPLGA should look closely at the PNG-Australia Incentive Fund where many important lessons have been learned over the years. This recommendation could be considered as implementing a mini Incentive Fund. A province that successfully participates in this program may well be well positioned to seek much more significant funding from the Incentive Fund itself. One suggestion raised with the Review Team was that if this approach was successful then a larger provincial incentive fund scheme could develop through DPLGA to administer.

Support for this phase is likely to come from development partners given GoPNG's limited funding.

RECOMMENDATION # 16

DPLGA establishes a design process for a mechanism to replace PPII based upon the key recommendations in this report including:

a. a core program of public administration capacity development related to service delivery implementation based upon the current PPII Phases 1 and 2, with some additions, and
b. a new demand driven incentive phase for provinces that can **capitalise on the existing initiatives of** Provincial and District Administrations and Local-level Governments that **have already started** based upon current development improvement plans and that can **show a strong commitment** to following them through.

7.6 Management Structure

These activities could be managed by the division under the direction and supervision of the Secretary and his deputies. The DPLGA Senior Management Team needs to be more engaged in coordination and seeking coherence in the implementation of the DPLGA Corporate Plan.

If the recommendations in this report are adopted then the former PPII activities, and other programs, will become part of the Strategic Plan and Corporate Plan. They should be reported on by divisional leaders through to senior management. Performance needs to be monitored and assessed regularly.

The Review Team sees as a minimum a number of building blocks, some of which have been mentioned:

- DPLGA Strategic Plan i.e. business plan or development plan setting out the core operational objectives
- DPLGA Corporate Plan i.e. the plan that says how DPLGA will organise itself and how it will address the core competencies and capacities needed to deliver the Strategic Plan

- Strengthen its own corporate planning and monitoring capability – some technical assistance will be required
- Elevate development partner engagement from the divisions to top management to achieve better overall coordination, improved use of resources and enhanced performance
- Regularly undertake a self assessment against a modified set of the current PPII Phase 1 and 2 criteria together with feedback from provinces and partner central agencies.

RECOMMENDATION # 17:

See recommendation 9.

7.7 Implementation and AusAID support

AusAID has been a strong supporter of DPLGA, the provinces and PPII. It is about to re-design its engagement approach for assistance within PNG's decentralised system of government. The current contract supporting SNS finishes in April 2011. The Review Team understands that AusAID intends to go to tender for a short extension phase while the design for the next phase is completed.

This approach complements the proposals and recommendations in this review. In parallel with AusAID, and working with it, DPLGA will be able to design an implementation plan for these recommendations if they are accepted.

As noted earlier in the report AusAID's SNS assistance has been diversified under the SNS banner with a set of almost separate programs for PPII through CBD, DPLGA's PMD and Legal and Policy Division each have AusAID assistance, Special Case Province arrangements are in place for Southern Highlands Province, a separate program was designed for the Autonomous Region of Bougainville, and further assistance to provided to NEFC and NRI. The Review Team believes that this should be reviewed. The acting Chief Secretary (and concurrently the Secretary of the department) agrees.

DPLGA has a wide mandate to support provinces and sub-national service delivery. The Review Team finds it slightly incongruous that significant assistance is provided to the ABG (eight technical advisers and over AUD2 million per annum) which is distant and distinct from what is progressing within PPII. The team recognises the important and emerging constitutional arrangements for the ARB. We strongly believe that the ABG has missed out on sharing the benefits of PPII through working closely with DPLGA.

The Review Team envisages that AusAID assistance for DPLGA and the provinces should move into two specific areas where there is potential for high impact:

- The proposed new incentive phase when provinces with capacity can seek funding for projects and programs that they can demonstrate a high level of commitment to; and
- The strengthening of DPLGA as the government's agency for the implementation of its decentralised system of government and service delivery. Initially this will involve working with DPLGA as required to develop and implement its new strategic and corporate plans. It may well involve applying donor resources wider than the current three DPLGA divisions.

This is not to suggest that AusAID abandon the current PPII and its support for the preparatory and Phase 1 and 2 provinces, far from it. But is does suggest that GoPNG through DPLGA should be supporting DPLGA to do its core job of building basic provincial capacity. Over a short period of time DPLGA should be seeking GoPNG funding for these activities.

We would recommend that the Secretary for DPLGA takes the lead role for government in coordinating all development assistance for provinces, districts and LLGS from whichever development partner. The Secretary should include the chairman of NEFC and the Chief Administrator of the ABG (recognising their constitutional status) in policy discussions and engagement with development partners. However, we feel that it would be advantageous to PNG and development if a co-ordinated approach was followed.

RECOMMENDATION # 18

The Secretary for DPLGA takes the lead role for coordinating all development assistance for improving service delivery in provinces, districts and LLGS from whichever development partner. The Secretary should include the chairman of NEFC and the Chief Administrator of the ABG (recognising their constitutional status) in policy discussions and engagement with development partners. This approach includes working closely with DNPM in its role as overall manager of the Development Budget.

7.8 Other recommendations

Section 5 contains specific recommendations on various topics that should be considered within the design of the next phase of assistance.

Annex 1 Terms of Reference

PROVINCIAL PERFORMANCE IMPROVEMENT INITIATIVE (PPII) REVIEW

TERMS OF REFERENCE

1. Background:

▪

The Government of Papua New Guinea with the support from the Australian Government has been implementing the Provincial Performance Improvement Initiative (PPII) since 2004. The program is currently parked under the Department of Provincial and Local Government Affairs with the Department of National Planning and Monitoring as partner.

Since the inception of the program no independent review of the program has been done to assess the successes, the challenges and the way forward for the program. A mid - term review of the AusAID Sub-National Strategy (SNS) of which PPII is a key component has been commissioned by the Australian Government through AusAID in April 2009. The SNS mid- term report has outlined a range of broad recommendations to streamline the effectiveness of SNS, including PPII.

Department of Provincial and Local Level Government Affairs has considered that an independent review of PPII be done following the SNS midterm review. This was discussed at the PPII secretariat meeting of 22 September 2009.There were also discussions with the Secretary DPLGA and Chief Secretary to the Government, who endorsed this review.

2. Purpose:

The PPII program aims to improve Corporate Management systems and processes for effective performance of the public administration and ultimately improved service delivery to the people of Papua New Guinea. PPII has been supporting provinces and to date has supported 17 provinces (8 phase 1 & 2 provinces and 9 provinces in preliminary phase) and intends to expand to others including the proposed two new provinces of Hela and Jiwaka. PPII has strong support from provinces since having realized its benefits and are very appreciative of the financial and technical assistance provided. However, there are challenges and opportunities for improvement on how the support can be provided; as such there is a need for the review to be conducted by the GoPNG.

PPII is managed by the Capacity Building Division (CBD) of the Department. CBD works with the other divisions of the Department and the Provincial and Local Services Monitoring Authority (PLLSMA).

This review is timely and very important as it comes at a time where the many queries have been raised by the provincial administration and the national stakeholders concerning the program. It will look at the issues of close consultation and collaboration between national departments, agencies, statutory bodies and non government bodies/organizations.

The review will be led by the Department of Provincial and Local Level Government Affairs and its stakeholders (DNPM, NEFC, NRI, DPM, etc). **The purpose of the review is for the Government of Papua New Guinea to make an independent evaluation on the effectiveness of the PPII program. It will review the processes and systems used in supporting changes into corporate management systems and processes at the national provincial and district levels. It will also review the working relationship and other issues between DPLGA AusAID.**

A new approach is envisaged through this process, on how DPLGA could effectively work with the provinces, guide and direct the support from AusAID, ISP and coordinate and link up with national agencies, statutory bodies and NGOs.

3. Objectives:

PART A: Achievements of PPII

3.1. Assess and evaluate the successes of PPII as a Government of PNG's Public Sector reform Strategy in supporting improved performance of public administration at the sun-national levels and ultimately improve service delivery the reforms to improve service delivery. Specifically

3.1.1. Assess the effectiveness of the program in addressing the issues of Corporate Management systems and process at the provincial level, including districts particularly:

a Changes in work performance

b Review capacity building interventions through PPII

3.1.2. Identify a set of specific successful capacity development approaches in the areas of budgeting, planning, internal audit, change management, asset management (etc) that resulted in direct and indirect service delivery improvements, and explain why they were successful and why they should be adopted in any subsequent program.

3.1.3. Identify unsuccessful capacity development approaches in the PPII target capacities, and explain why they should not be replicated in any subsequent program.

3.1.4. Assess the linkages of PPII to the other divisions of the Department and PLLSMA.

- **PART B: Specific Questions**

3.1 Policy Alignment – assess the opportunities for PPII to be aligned with government policies including Vision 2050, the Long Term Development Strategy, the proposed Integrated Service Delivery Mechanism Model and the implementation of the Organic Law, particularly to the functions of the Department in assisting provinces meet their obligations under the Organic Law.

3.2 Governance – review and evaluate key aspects of program governance including:

3.2.1 The governance structure of PPII program

3.2.2 The PPII criteria for phase 1, 2 and assist in defining some criteria for phase 3

3.2.3 The incentive funds associated with each PPII phase

3.2.4 The role of Government of Papua New Guinea in supporting the program

3.2.5 The alignment of PPII to other government reform initiatives, such as SDMM, DSIP, PCaB, SIP, PSWDP.

3.3 **Efficiency** - evaluate the efficiency of program in supporting provinces, building provincial capacity, through the provision of financial and technical assistance:

3.3.1 Review Technical Advisers TORs process

3.3.2 Review the Technical Advisers recruitment process

3.3.3 The management of Technical Advisers, their reporting channels and reporting of TAs to AusAID Co-located officers

3.3.4 Review the process of channeling PPII financial assistance into provincial trust accounts for timely implementation of the Corporate Plan.

3.4 **Coordination -** assess and evaluate the progress of PPII in ensuring close consultation, coordination, linkage with national agencies, statutory bodies, NGOs, provinces and the elected leaders and within the Department.

3.4.1 Role of PPII Secretariat, Steering Committee and the PPII Working Group

3.4.2 Review the role of AusAID Co-located Officers

3.4.3 Review relationship between the political leaders and the administration, on how PPII can solicit political support

3.4.4 Review the role of Implementing Service Provider (ISP) in building the capacity of the officers in the department and provinces. The ToRs of the Technical Advisers in supporting Capacity Building in the Department as well as the provinces

3.4.5 Review the operational support AusAID, ISP as a quasi government agency to GoPNG

3.5 **Performance Measurement –** assess and evaluate the effectiveness of PPII monitoring and evaluation, including:

3.5.1 The role of PPII in building provincial and district monitoring and reporting capacity.

3.5.2 The scope, role and implementation of PPII monitoring and implementation by DPLGA and identify any significant constraints;

3.5.3 The effectiveness of PPII reporting to central agencies, CACC and the NEC.

3.6 From the findings identify key lessons and make recommendations on how the program can improve and or change its processes and systems to deliver its assistance.

3.7 Report the findings and the recommendations to all stakeholders and jointly develop a new direction for the program to effectively deliver its assistance.

4 Scope and Methodology:

The Review Team will consist of and be led by a team of independent reviewers outside of the Department of Provincial and Local Level Government Affairs and its stakeholders and or partners. However, it will also involve officers from relevant stakeholders and DPLGA for the purpose of capacity development or skills transfer. The involvement of DPLGA and its stakeholders will be limited to ensure they continue to respond to their departmental responsibilities. The findings of the Review will be consolidated and be presented to the PPII Secretariat, the Steering Committee, PLLSMA, CACC and NEC for a way forward.

Department of Provincial and Local Government Affairs and its stakeholders will develop the Review framework for the Review Team. The Review will be conducted within the first quarter of the 2010. This will provide the opportunity of how effectively the AusAID and GoPNG, through DPLGA

The Review Team is expected to:

4.1 Review key PPII documentation;

4.2 Consult widely with DPLGA and all its stakeholders;

4.3 Review and make analysis of the Monitoring and Evaluation reports and recommendations done in the PPII provinces. The team will have to take note of the findings and recommendations from the monitoring reports from ENB, EHP, Central, MBP and WSP.

4.4 Review and make analysis of reports done by the Technical Advisers and the PPII Co-located officers.

4.5 Analyze the Monitoring and Evaluation reports and recommendations done by the April Review 2008 and AusAID's SNS M&E Specialist

4.6 Undertake consultations with four selected provincial administrations (East Sepik, Morobe, Simbu and East New Britain) verify and confirm the data or information provided through the monitoring and reports provided by the Technical Advisers, Co-located Officers and DPLGA officers. (This consultation will be based around a semi structured interview process, and focus groups, that explore the issues identified in Section 3 above.)

4.7 Provide a report on its findings and devise strategies for future direction of the program.

4.8 Seek endorsement of the recommendations from the secretariat and approval from the Steering committee for the strategies.

Focus is a key issue for the review given the wide range of issues noted above. Given the time constraints and the extensive number of shakeholders the Review Team will need to keep its discussions focused and try to avoid generalized 'happy chats'. They will also need to be very aware of the counterpart fatigue issue given that many of PPII prospective interviewees has been engaged in PPII and SNS review and reporting activities. Accordingly, the Review team will:

a try to avoid duplicating previous work and cause fatigue to counterparts;

b will concentrate on checking assumptions and conclusions in the various program reports and studies.

- During the first week of the review the DPLGA team will:
  a brief the Review Team on program:
    i successes and achievements;
    ii constraints and weakenesses;
    iii governance
    iv systems and processes;
    v the achievements and issues in the four provinces being vistsed; and
    vi relations with donors, especially AusAID and SNS.
  b Work closely with the Review Team to review these terms of reference and finalise:
    i The program of consultations; and
    ii The list of key consultations questions.

DPLGA officers and in particular members of the PPII team will make themselves available to:

- brief the mission at the beginning and confirm expectations and arrangements
- receive periodic briefs during the mission
- be interviewed on the specific mission questions and issues
- receive and review with the team the draft report.

5 Requirements for the Review Team

- Because the review is very important to the Government of Papua New Guinea and how the government could support the PPII program, it is crucial the review must be a tool for change and improvement to the implementation of the PPII program.

- The ideal candidates for the Review Team must demonstrate or show proven records of the following qualifications;
  5.1 The ideal candidate for the review should have experience in the process of change management (due to the fact that PNG through the years to improve service delivery has gone through and is experience reforms, which is impacting the management systems)
  5.2 Have an extensive knowledge and experience of the Papua New Guinea Public Services systems and processes(PNG governance systems and processes)
  5.3 Have a proven record of meeting deadlines and time management
  5.4 Have a wider experience in consultations and research in Papua New Guinea or within the Melanesian Culture
  5.5 Be able to work effectively with a group of people of diverse backgrounds and experiences

5.6 Be a able to communicate and work with a cross government management committees

5.7

6 Method of Review:

6.1 Prior to the consultations with the provinces, relevant stakeholders, technical advisers, collocated officers and DPLGA officers, the team will evaluate and analyze all relevant documentations as stated above including the PPII Guidelines.

6.2 From the information gathered through the documentation, the team will then consult with PPII stakeholders and provinces

6.3 An information paper should be provided for comments before the final is presented to the relevant bodies.

Annex 2 – Persons Consulted

Department for Provincial and Local Government Affairs

Manasupe Zurenouc, OBE, Acting Chief Secretary to Government and Secretary

Tau Vali, Deputy Secretary Operations

Russell Ikosi, Deputy Secretary Policy

Dickson Guina, Director, Capacity Building Division

Simon @, Director, local government Advisory Services

Gabriel @, Director legal, Policy and IT

Julius Wargirai, Director Performance Monitoring Division

Other members of the Senior Management Team in group sessions

Ray Kala, Assistant Director, CBD

Frank Akrakri, a/Assistant Director, CBD

Sabadi Kevau, Manager Secretariat Services, CBD

Rosemary Hobart, A/Manager Projects

Delilah Koja, Research Officer

Laaioi Vele, Project Officer

Jacob Ekinye, LGAS Division EU Districts Project

PPII Secretariat

Port Moresby based members at the April Meeting

Port Moresby based members and representatives from Central province, EHP, ENBP, Simbu province and Milne Bay Province on 3 June 2010

Department of Finance

Deputy Secretary

Eddie Galele, Finance Management Improvement Program, for PCaB

Department of National Planning and Monitoring

Ruby Zarriga, Deputy Secretary – Policy

Department of Personnel Management

Ravu Veranagi, Deputy Secretary

Ravu Vagi, Deputy Secretary

Director, PSWDP

Department of the Prime Minister (PSRMU)

Tony Keket

Vale Yamo

Clent Alok

National Economic Fiscal Commission

Dr Nao Badu, Chairman and CEO

Roy Sorame, Senior Research Manager

Strengthening Provincial Internal Audit

(Department of Treasury)

Matatia Saroa, FAS, Financial Accountability and Inspection

Mobata Gabutu, Senior Prevention Officer

Central Province

Raphael Yipmaramba, MBE, Provincial Administrator

John @, Planner

Eastern Highlands Province

Munare Uyassi, provincial Administrator

Solomon Tato, Deputy Administrator

John Gimiseve, Deputy Administrator

Ben Ulopo, Director Corporate Services

Conrad Esoke, education Adviser

Ben Haili, Health Adviser

Nick, Kopave, Manager Planning

Mike Jondi, A/Manager Finance and Revenue

Don Hurrell, Law and Justices Program Adviser

East New Britain Province

Aquila Tubal, Provincial Administrator

Bernard Lukara, Deputy Provincial Administrator

Stanley More, Deputy Provincial Administrator

Levi Mano, a/Deputy Provincial Administrator

Ephraim Rainui, Adviser Finance

Molly Waninara, PPII Liaison Officer

Semmy Rupen, Provincial Accountant

Freddie Lemaki, Rabual Town

Peter Peniat, District Administrator, Pomio

@, District Administrator Gazelle

@Adviser Education

@ Adviser Health

Milne Bay Province

Henry Balaisi, Provincial Administrator

Gerega, Deputy Provincial Administrator

Taeva Tavarau, Provincial Planner

Ben Bagita, Revenue Officer

Jack Pori, Health Adviser

Michael Ova, Education Adviser

Thomas Pilai, District Administrator, Esa'ala

Rachael Ou, Human resources Manager

Morobe Province

Kemasang Tomala, Provincial Administrator

Geoving Bilong, A/Deputy Administrator

Miring Sinoling, Manager human resource management

Arenao Sesiguoc, Provincial Adviser Planning

Murika Bihoro, Provincial Adviser education

Tony Ase, District Administrator Huon

Robin Bazzinuc, District Administration Menyamya

Sandaun Province

Carertaker Governor, Mrs Lenna Napmuku

Joseph Sungi, Provincial Administrator

Tobias Welly, Deputy Provincial Administrator

Henry Norm, Deputy Provincial Administrator

Bonny Kawat, Director Planning and Monitoring

Corretta Naig, Director Education

Julie Kai, Director Community Development

Binus Naugre, Provincial Treasurer

Eugene Raire, Manager Human Resources

Desak Drorit, Director Health

Lou Badui, District Administrator Vanimo-Green

Grace Ina, PPII Coordinator

The Provincial Management Team as a group

Simbu Province

Joe Kunda, Administrator

Alphonse kee, deputy Administrator

Yayonga Bal, deputy Administrator

Michael Temy, Principal Adviser Policy, Planning and Budget

Kale Simai, Provincial Planner

Willie Gagma, Provincial M&E Officer

John Casper, PPII officer

Other members of the SMT in a group meeting

AusAID

Joanne Choe, Director SNS

Dorothy Luana, a/Director SNS

Tom Nettleton, First Secretary SNS

Romias Waki, Deputy Director SNS

Richard Slattery, Adviser SNS

Judith Ugava-Taunao, ENBP Team Leader

Paul B, Development Specialist, ENBP

Moale Vagikapi, SNS Eastern highlands

Allison De Louise, Development Specialist EHP

Colin Wiltshire, Development Specialist, Central

Clyde Hamilton, Development Specialist, MBP

Jimmy Morona, Senior program officer, MBP

Implementation Service Provider – Coffey International

Neville Saunderson, Country Manager - Papua New Guinea

Diane Barr, Team Leader

Emmanuel Wrakuale, Deputy Team leader

Maciu Koroitubuna, Finance and Logistics Manager

Charles Yakopa, Trust Accountant

Peter Kerrison, Lead Database/ICT Adviser

John Piel, Lead Finance Advisor

Iva Kola, PLLSMA Implementation Adviser, DPLGA CBD

John Simango, Human Resource Management Advisor

Leigh Cupitt, Capacity Building Adviser

Miriam Midire, Lead Human Resource Management Adviser SNS

Saba Retnasaba, Periodic-Performance Management Advisor DPLGA PMD

Suzanne Syme, Committee Coordination Adviser

Wayne Trappett, PLLSMA Function Assignment Adviser

Wasantha Kumara, Project Management Adviser, DPLGA

Bernadette Masianini, Communications Adviser, DPLGA

Diego Miranda, District Information Management System Adviser

Alan Cairns, Periodic - Costing & Analytics Adviser

Sue Richards, Strategic Management Adviser

Mark Chambers, Development Adviser, Central

Rose Isana, Budget & Expenditure Adviser, Central

Alphonse Bera, Budget & Expenditure Advisor - ENBP

Sam Gagau, Human Resource Management Advisor, Madang and Sandaun

Carolyn Mom, Human Resource Management Adviser - Milne Bay and ENBP

Aung Kumal, Corporate Plan Implementation Adviser, Morobe

James Ogia, Corporate Plan Implementation Advisor, Sandaun

Annex 3 – Key Documents

AusAID Australian Government Papua New Guinea *Sub-National Strategy 2007 – 2011 Draft Design Document* August 2006

AusAID Papua New Guinea *Sub-National Strategy Mid-Term Review* and the supporting case studies, 2009.

AusAID Provincial Performance Improvement Initiative PPII *District Implementation Support Team Scoping Mission Huon Gulf District – Morobe Province,* 24–27 November 2008.

Coffey International, monthly and quarterly adviser reports for PPII activities 2006 to 2009 from over 30 advisers

DPLGA *Guide to Services and Performance Requirements under the Provincial Performance Management Initiative (PPII) 2007*

DPLGA *Decentralisation Toolkit – a Brief on Papua New Guinea's Decentralised Service Delivery System,* (Part 1) September 2008. (Part 2) September, 2008.

DPLGA, Capacity Building Division, Minutes of the PPII Steering committee 205 to 2009

DPLGA, Capacity Building Division. Minutes of the PPII Secretariat 2005 to 2010

DPLGA, various Information Papers, briefs and PowerPoint presentations of PPII prepared for briefings of provinces, governors, provincial treasurers and other government agencies

DPLGA, Capacity Building Division, various provincial monitoring reports from 2007 including recommendations for incentive payment.

DPLGA, *Report on the Second (2009) Annual PPII Peer Review*, 2009

DPLGA, *Corporate Plan 2008 -2010*

DPLGA, *discussion paper – national government position on power sharing and the proposed national framework,* April 2010

Eastern Highlands Provincial Administration, *Eastern Highlands Province Corporate Management Improvement Plan 2006 – 2009.*

Government Printing Office (2007) National Gazette *Alteration to the Organic Law on Provincial Governments and Local Level Governments* 31 October, 2007

Government of Australia and Government of Papua New Guinea *Partnership For Development Between the Government of Australia and the Government of Papua New Guinea*, 2008.

Government of Australia and Government of Papua New Guinea, *Review of the PNG-Australia Development Cooperation Treaty (1999),* April 2010

Government of Papua New Guinea, *Vision 2050,* November 2009

Government of Papua New Guinea, *Development Strategic Plan 2010-2030,* March 2010

NEFC, *Walking the Talk – Review of All Expenditure in 2008 by Provincial Governments,* 2010

NEFC *Review of Intergovernmental Financing Arrangements – Plain English Guide to the new funding system for Provincial Governments and Local Level Government*, 2007.

PLLSMA, *Service Delivery mechanism Model "A Way Forward",* September 2009

PLLSMA, *The Determination assigning Service delivery Functions and Responsibilities to Provincial and Local-Level Government*, December 2009

PPII (DPLGA) with all participating provinces various Capacity Building Plans, reports on implementation of the plans including audit reports

Annex 4 – PPII 2005 Framework & 2007 Guide to Services

Date: 15 April 2005

PROVINCIAL PERFORMANCE IMPROVEMENT INITIATIVE FRAMEWORK

1.0 MANDATE

1.1 The Provincial Performance Improvement Initiative (PPII) is an initiative of the Government of Papua New Guinea (GoPNG), supported by the Australian Government, to assist PNG's decentralised system of Government.

1.2 The PPII was approved by the Central Agency Co-ordinating Committee (CACC) on 12 July 2004.

1.3 A Memorandum of Commitment was signed by the Secretary, Department of Provincial and Local Government Affairs (DPLGA), the Secretary, Department of National Planning and Rural Development (DNPRD) and the Minister Counsellor AusAID on 15 September 2004.

2.0 PURPOSE

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

3.0 KEY PRINCIPLES

3.1 *Accountability:* ensure that resources, including finances, are deployed effectively and efficiently with transparency to all stakeholders.

3.2 *Sustainability:* use existing systems and build PNG's capacity.

3.3 *Affordability:* ensure that initiatives under the PPII can be implemented within available resources and capacity, including the implications for recurrent expenditure.

3.4 *Ownership:* – while acknowledging the important role of National Government, each Provincial and District Administration and Local-level Government to take responsibility for and drive the PPII to deliver required outcomes for their communities.

3.5 *Performance driven:* – support to Provincial and District Administrations and Local-level Governments is linked to demonstrated performance.

5.6 *Policy consistency:* – align with PNG's key policies including the Medium Term Development Strategy, the Public Sector Reform Strategy and the Public Expenditure Review and Rationalisation.

4.0 OVERARCHING STRATEGY

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

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

5.0 OBJECTIVES

5.1 Strengthen capacity – decision-making, management, delivery.

5.2 Influence political direction.

5.3 Harmonise integration of national / donor programs.

6.0 OUTCOMES

6.1 Improved public administration in participating Provincial and District Administrations and Local-level Governments:
- appropriate management structures and systems fostering a productive work ethic;
- improved management of resources – money, people, assets and information;
- integrated planning and budgetary systems that identify and fund priorities within mandate and fiscal constraints;
- improved procurement and expenditure control, including containment of misappropriation;
- transparency and financial accountability, including audit compliance; and
- continuous improvement.

6.2 Targeted and sustained development:
- GoPNG and donors' development funds targeted to agreed priorities with due consideration to the implications for recurrent expenditure over the long term.

6.3 Improved services – education, health, roads, law and justice:
- planned service levels stated and achieved with available resources.

7.0 SCOPE

7.1 The PPII focuses initially on three Provinces, Central (CP), Eastern Highlands (EHP) and East New Britain (ENBP).

7.2 The PPII may be extended to other Provinces at the discretion of the PPII Steering Group based on the success of the PPII.

7.3 The PPII is intended to be a long term initiative (5 - 10 years).

8.0 IMPLEMENTATION

8.1 The PPII operates as a partnership between the three levels of government in PNG, National, Provincial and Local-level, and donor agencies

8.2 DPLGA is the lead implementation agency.

8.3 DNPRD is the support agency, particularly in planning and development co-ordination.

8.4 Support is provided through existing initiatives of the GoPNG and donor agencies but primarily through the Policy Stream of the PNG Incentive Fund.

8.5 The three levels of government in PNG and the donor agencies are each responsible for monitoring the performance of the PPII from their own perspective using existing PNG systems wherever possible.

8.6 The participating Provincial and District Administrations and Local-level provide leadership for the implementation of improvement agendas in their respective jurisdictions and provide logistical and counterpart support for the PPII.

8.7 A Management Map is attached at Appendix A.

9.0 STEERING GROUP

9.1 The Steering Group oversees effective management of the PPII.

9.2 The Steering Group is accountable to the National Monitoring Authority (NMA) through the Secretary, DPLGA.

9.3 The Steering Group comprises high level representatives from DPLGA, DNPRD and AusAID.

9.4 Terms of Reference for the Steering Group are attached as Appendix B.

10.0 SECRETARIAT

10.1 The DPLGA Capacity Building Division provides a Secretariat for management of the PPII.

10.2 The Secretariat is accountable on a day-to-day basis to the Director, Capacity Building and through him/her to the Secretary DPLGA.

10.3 As appropriate, the Secretariat reports to the Secretary DPLGA, the Secretary DNPRD and the Minister Counsellor AusAID through the PPII Steering Group.

10.4 DNPRD and AusAID and the PNG Incentive Fund Policy Stream provide human and/or financial resources to work with the Secretariat for the management of their respective responsibilities under the PPII.

10.5 Terms of Reference for the Secretariat are attached as Appendix C.

11.0 SUPPORT FOR PROVINCES

11.1 Support for participating Provincial and District Administrations and Local-level Governments may include one or more of the following:

- Advisory Support;
- Direct Financial Support; and
- Support under other existing programs.

11.2 *Advisory Support* is provided by Advisers sourced and managed by the PPII and placed within Provincial and District Administrations and Local-level Governments to work alongside Provincial counterparts in a mentoring and coaching capacity.

11.3 *Direct Financial Support* for Provincial and District Administrations and Local-level Governments is linked to their Improvement Programs and resource allocations in their budgets and is provided by the financing of agreed activities, with funds being disbursed in tranches though an Imprest Account linked to PGAS.

11.4 Where possible, the PPII further assists Provincial and District Administrations and Local-level Governments by mobilising additional *support under other existing GoPNG or donor programs* of assistance.

11.3 To qualify for Support, Provincial and District Administrations and Local-level Governments must meet the eligibility criteria specified in Appendix D.

11.6 All Support is subject to satisfactory reviews of the performance of participating Provincial and District Administrations and Local-level Governments.

12.0 CO-ORDINATION

12.1 The PPII Secretariat is part of the DPLGA Capacity Building Division, which is responsible for ensuring that it is fully integrated into the operation of the DPLGA in accordance with its Corporate Plan.

12.2 The DPLGA Capacity Building Division co-ordinates the work of the PPII and other Divisions of the DPLGA and their combined support to the NMA.

12.3 Through the DPLGA Capacity Building Division the PPII:

- facilitates co-ordination of GoPNG and donor initiatives aimed at improving performance at the Sub-National level;
- uses best endeavours to promote consistency between initiatives; and
- assists in gaining the prior agreement of the relevant Provincial Administration to the timing and roll-out of an initiative in that Province..

12.4 The PPII encourages liaison between DPLGA, National Departments, Provincial and District Administrations and Local-level Governments, which it facilitates where possible.

12.5 The PPII serves as a conduit for feedback from Provincial and District Administrations and Local-level Governments on issues that need to be resolved at the national level.

12.6 The PPII may establish a Working Group to engage other Departments in the PPII as appropriate but initially this will function on an ‘ad hoc’ basis and the PPII’s main focus will be on consultation and negotiation.

13.0 PERFORMANCE MONITORING

13.1 The PPII monitors both the performance of participating Provincial and District Administrations and Local-level Governments and its own performance

13.2 Monitoring of the performance of participating Provincial and District Administrations and Local-level Governments focuses on:

- progress in implementing Improvement Programs;
- actual expenditure compared to budget;
- how the PPII support has been utilised;
- compliance with any conditions and/or mutual obligations; and
- such other matters as may be required.

13.3 Monitoring of the performance of the PPII focuses on:

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

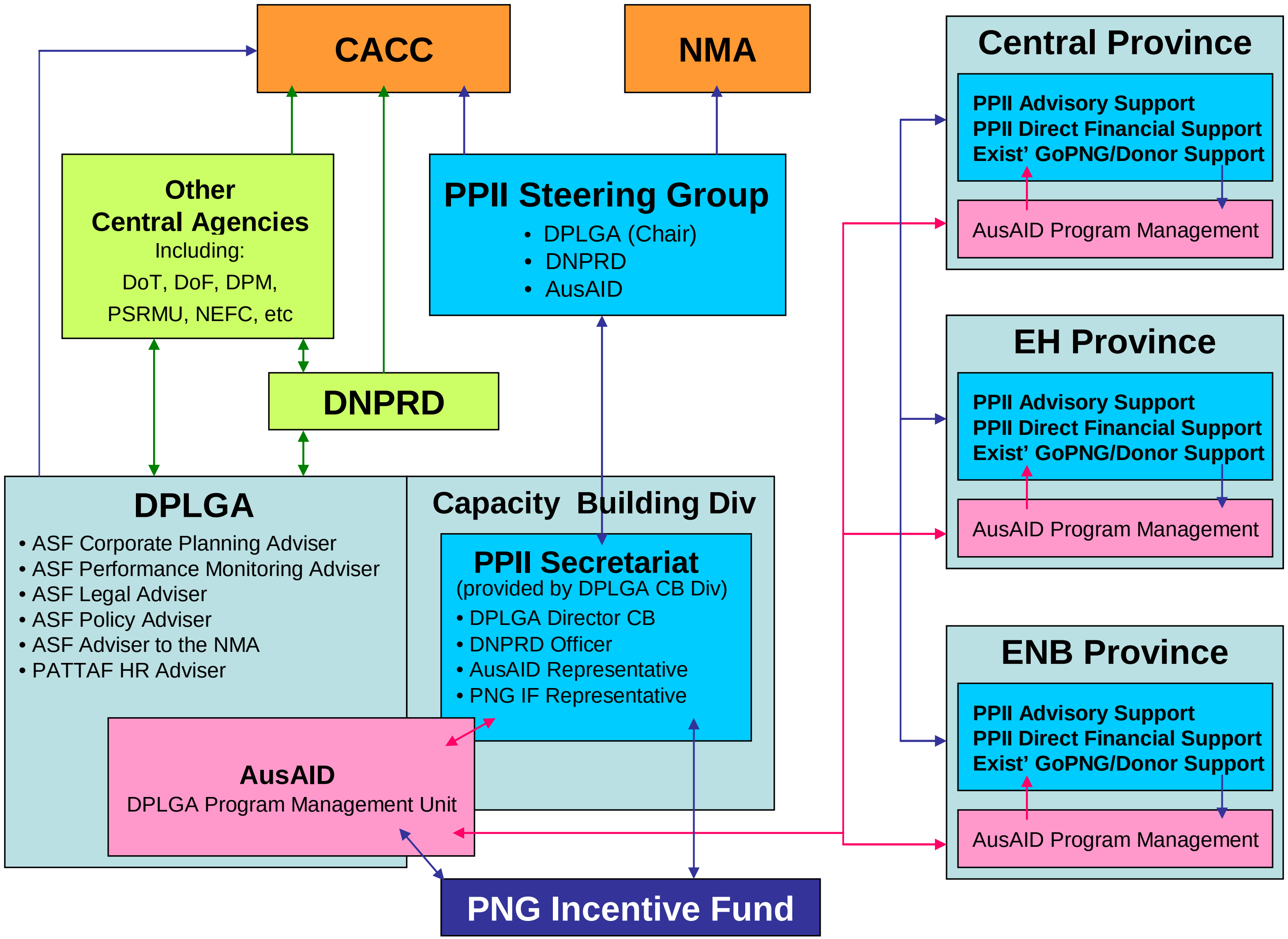
13.4 Quarterly performance reviews are conducted by the PPII Steering Group.

14.0 AMENDMENT TO FRAMEWORK

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

SIGNATURES

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


CACC
NMA
Central Province
PPII Advisory Support
PPII Direct Financial Support
Exist' GoPNG/Donor Support
AusAID Program Management
Other
Central Agencies
Including:
DoT, DoF, DPM,
PSRMU, NEFC, etc
PPII Steering Group
• DPLGA (Chair)
• DNPRD
• AusAID
EH Province
PPII Advisory Support
PPII Direct Financial Support
Exist' GoPNG/Donor Support
AusAID Program Management
DNPRD
DPLGA
• ASF Corporate Planning Adviser
• ASF Performance Monitoring Adviser
• ASF Legal Adviser
• ASF Policy Adviser
• ASF Adviser to the NMA
• PATTAF HR Adviser
Capacity Building Div
PPII Secretariat
(provided by DPLGA CB Div)
• DPLGA Director CB
• DNPRD Officer
• AusAID Representative
• PNG IF Representative
ENB Province
PPII Advisory Support
PPII Direct Financial Support
Exist' GoPNG/Donor Support
AusAID Program Management
AusAID
DPLGA Program Management Unit
PNG Incentive Fund

Guide to Services and Performance Requirements

Under the

Provincial Performance Management Initiative

(PPII)

Department of Provincial and Local level Government Affairs (DPLGA)

Supported by DNPM and AusAID

2007

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

Table of Contents

Introduction

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

Roll-out of the PPII

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

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

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

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

This Guide

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

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

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

Ultimate Objective of the PPII:

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

Enabling Objectives:

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

Key Actors:

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

- *National Agencies* to focus on better supporting the Provinces and Districts (through policies, appropriately allocated budgets and technical support) and better coordinate their planning and support

- *Provincial Administrations* to improve their day-to-day administration and become the real drivers of the development process in the province (they have a coordinating role between national and district levels)

- *District and LLG Administrations* to manage frontline services more efficiently and effectively

- *Elected leaders at the Provincial and LLG level* to work more effectively with the administration at various levels, using their allocated grants to support a consistent strategy for improvements in service delivery.

- *Church and civil society agencies* particularly those which access government funding to help deliver services.

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

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

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

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

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

Key Principles guiding the Expanded PPII

- **Service Performance Focus**

  Improved service delivery is the primary objective of the PPII

- **Provincial Leadership and Ownership**

  The PPII respects, promotes and strengthens the pivotal role of the provincial administrations in coordinating service delivery through the district administrations.

- **District emphasis**

  PPII also recognizes that the district is at the front line of service delivery. Hence the emphasis on strengthening management systems at this level

- **Flexibility and Rolling Design**

  The context and capacity in each province is different. Thus, the programs should not blue-print the support it offers. It must always remain responsive to the needs expressed by each individual province.

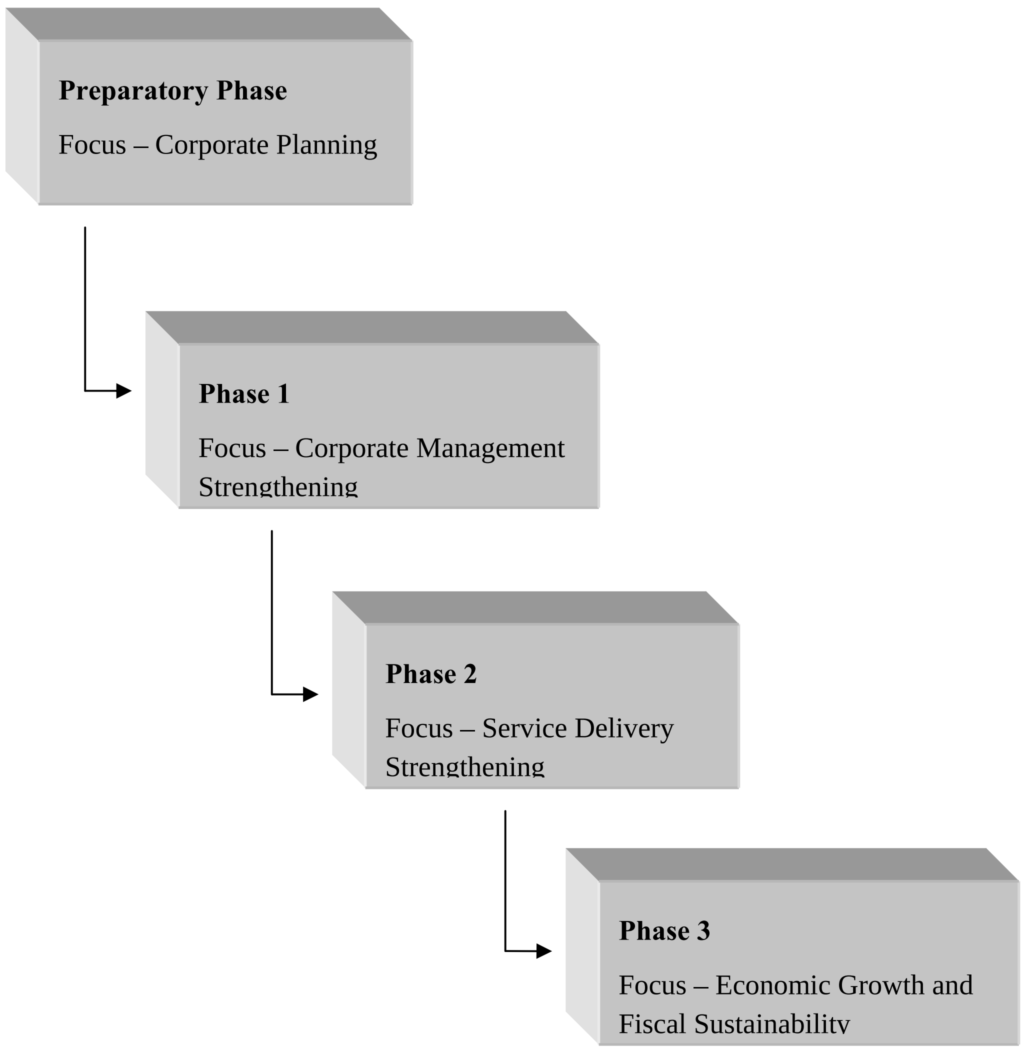
- **Whole-of-Government service support**

  The PPII recognizes that provinces need to coordinate various key central and sector agencies' support to the provinces, if service delivery is to be effective.

- **Phasing and Incentive based**

  The PPII is broken into phases, with each phase: (i) focusing on a different emphasis, (ii) supporting a sequential process of capacity development, and (iii) offering provinces incremental incentives for performance.

The Four Phases of the PPII



Summary of Program Support during each of the Phases

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

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

4 Sub Programs plus Budget Support for Capacity Building

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

Program Support during Phase 2 - Focus on Service Delivery

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

Program Support during Phase 3 - Focus on Financial Sustainability

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

Types of Assistance Provided within each Phase of PPII

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

2. **Technical Advisory Support**. This support is available during all phases. This support comprises long and short term advisers who are available on request by the province. The range of expertise available are as follows:
     - Corporate Plan Implementation (long term, in province)
     - Performance Management
     - Finance & Budget Management
     - Planning and Program/Project Management
     - Legal Support
     - Economic Policy
     - Human Resources Management
     - Asset Management
     - Information Technology
     - Process Improvement
     - Monitoring & Evaluation
     - Cooperation with Civil Society

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

3. **Financial Incentives**.
    - Phase 1: Upto K250,000 per annum to finance capacity building
    - Phase 2: Upto K1 million for both capacity building and service delivery

4. Inter-Provincial Exchanges and Sharing of Good Practices

- Quarterly Provincial Administrators' Meeting

- Delegation Visits to Provinces with Good Practices

- Assignment of Key Staff from well performing provinces for short term work assignments in weaker provinces

- Assignment of staff to national agencies

- Annual PPII Conference

Financial Incentive Payments under Expanded PPII

Preparatory Phase: Corporate Planning

- No financial incentives. Only advisory support

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

- *Purpose* is Capacity Building

- *Examples* would range from purchase of computers and local TA for information technology assistance, to financing workshops for DMTs and LLGs.

- Must be based on a clearly presented *Capacity Building (CB) Plan* to the PPII Steering Committee (SC). *Submission* of the CB Plan must be *by the third quarter* of each preceding year

- *Approval* will be made *by the SC in fourth quarter* of the year preceding implementation

- *Approval need not be for the amount requested*. The SC retains the prerogative to disallow specific requested expenditures.

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

- *Purpose* is both capacity building and support for service delivery (either development or recurrent financing requirements)

- *Examples* would range from road or jetty repairs to staff housing at a ward level to facilitate more effective service patrols

- *Eligibility criteria fall into two categories –*

  - *Mandatory Criteria:* (i) the province has utilized the *Function Grants* of the previous year satisfactorily as per criteria and assessment of the NEFC, and (ii) the province has shown satisfactory progress on the *use of the previous year's allocated* PPII incentive payment.
  - *Province-specific Criteria:* will be negotiated between DPLGA and the PMT before April of each preceding year, based on performance progress and milestones to be achieved.

- *Proposed allocation and use of the incentive payment* must be submitted by the PMT to the DPLGA by the end of the third quarter of the preceding year

- *Amount approved will vary* (between K500,000 and K1 million) and will be based on: (i) population size of the province and (ii) provincial performance against agreed performance milestones and criteria.

- *Approval* will be made by the SC in the fourth quarter of the year preceding implementation

- The SC retains the prerogative to *disallow* specific requested expenditures.

Summary of the Phases of the Provincial Performance Improvement Initiative

Phases	Period	Programs	Financial Incentives	Range of TA Available
Preparatory Phase	One to two years	• Corporate Plan Workshop • Follow up Advisory assistance from DPLGA and advisers	Nil	• Corporate Planning • Corp Plan Implementation • HR • Budget & Fin Mgt • Performance Management
Phase 1	One to four years	• Corporate Management Strengthening o Strengthening PMTs, DMTs, LLGs o CP Implementation support, HR, Fin Mgt & Budget, Perf Mgt • Elected Leaders Program o PEC, JPPBPC, JDPBPC, LLGs o Familiarization with OL • National Agencies' Support for Provinces o NMA (PLLSMA), Central Agency Support, Sector Agency Support • Assisting PMTs/DMTs work with Civil Society and Private Sector	Upto K250,000/yr For capacity building To be approved by the Steering Committee (SC) based on a CB Plan submitted each year	• Corp Plan Implementation • HR • Budget & Fin Mgt • Performance Management • Legal • Policy • NMA Adviser
Phase 2	One to four years	• All the Programs of Phase 1 • Strengthening Service Delivery • Economic Policy and planning	K 500,000 to K1 m for CB and Service Delivery To be approved by the SC based on the province meeting	• All TA of Phase • Gap Analysis in Service Delivery • Planning

			agreed eligibility criteria	
Phase 3		• All the Programs of Phases 1 and 2 • Strengthening Internal Revenue	Upto K1 m To be approved by the SC based on the province meeting agreed eligibility criteria	• All TA in Phases 1 & 2 • Internal Revenue

Criteria for New Provinces to enter Phase 1 of the PPII

1. Must have a *Finalized Corporate Plan*
    a. The PMT has undertaken the Corporate Planning Workshop sponsored by DPLGA
    b. The Corporate Plan been approved by the Provincial Administrator and has been presented to the PEC. (PEC endorsement is highly desirable)
    c. Copy of the Corporate Plan has been sent to DPLGA

2. Able to demonstrate that *implementation of the Corporate Plan has begun*
    a. A Corporate Plan Committee is appointed to coordinate implementation
    b. Other sub committees (as required) to facilitate implementation have been appoint and are operating
    c. The PMT has already initiated key actions under the Corporate Plan

3. Has in place a *functioning Provincial Management Team*
    a. It meets regularly;
    b. Meeting minutes are maintained;
    c. Follow up of PMT decisions are tracked and reported

4. Has formally agreed with DPLGA on the *Capacity Building Needs* that it wishes to address with the assistance of DPLGA and AusAID
    a. Has formally written to DPLGA in this regard

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

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

1. Has in place a *functioning Provincial Management Team*
    - It meets at least monthly
    - Meeting minutes are maintained
    - Follow up of PMT decisions are tracked and reported

2. Has in place *functioning District Management Teams*
    - There is a functioning DMT in each district
    - Regular meetings are scheduled and held
    - Meeting minutes are maintained

- Follow up of DMT decisions are tracked and reported

3. Has *integrated the Planning and Budgeting Processes* so that the annual budget reflects clear links to the 5 year development / Sector plan and MTDS

4. Has an annual budget that *integrates all sources of funding* – national grants, internal revenue, special support grants, GSAT, mining etc

5. Has an annual budget that *clearly indicates allocations* for services district by district

6. An up-to-date *staff database* has been established
   - There is a clear record of *permanent and casual staff* within the province.

7. *Job descriptions* of all positions have been accomplished

8. Has put in place a performance-oriented *staff performance planning and appraisal system*, which focuses on outputs to be delivered by each staff.

9. Has in place a *functioning performance management system* for operations as a whole:
   - Sector division heads and the DAs submit their annual program of outputs and objectives to be achieved
   - Divisions and DMTs submit monthly progress reports to the PA and DPAs
   - Sector and District Programs for the year are printed and available for the PEC, the JPPBPC and the JDPBPCs.
   - Sector program work progress (including expenditure) are monitored, by district, and reported to the PMT and PEC every quarter.
   - Section 119 Report and Reporting on NMA Indicators for each year is submitted by March the following year.

10. Has been submitting *Section 119 Provincial Performance Report* to DPLGA on a timely basis

11. The PMT provides *regular policy-briefs* and *issue-briefs* to the PEC and the Sector Chairmen of the PEC on relevant issues.

12. An *inventory of all key assets* of the province has been established. In particular:
    - Buildings, equipment, vehicles
    - A system for maintaining the asset register is operational

13. An *asset maintenance program* has been developed and is operational
    - A clear budget is allocated for maintenance
    - Staff are assigned clear maintenance duties

14. An *asset acquisition / procurement policy and procedure* is approved and operational

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

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

Criteria for Provinces to move from Phase 2 to Phase 3 of the Expanded PPII[11]

1. The Province continues to fulfill the *criteria applicable for Provinces to move into Phase 2*
   - This implies basic administrative systems and processes work effectively
   - The Administration works effectively with Elected Members, Civil Society and the Private Sector

2. The Province's *Service Delivery performance meets standards* laid down by the PLSSMA and the national departments
   - To be verified by PLSSMA

3. The Province's *senior staff are competent and available to be used as resource persons* to assist other, weaker PMTs and DMTs

4. There are clearly *identified economically prudent revenue strengthening measures in place*

PPII Monitoring Arrangements for Phase 1 Provinces

What is monitored?

- **Performance Targets**. These are essentially the targets each province has set itself in its Corporate Plan. Also refer to Annex 2 on Provincial Corporate Management Indicators.

[11] These Criteria will be gradually expanded as Provinces the PPII program progresses and expands

- **Progress on Capacity Building**. These will be targets set annually by the Province in collaboration with DPLGA when it submits its annual request to the Steering Committee for its annual Phase 1 Financial Incentive Payment.
- **Use of Financial Incentive Payment.** The Secretariat will examine whether funds have been used appropriately and accounted for with due diligence.

Is a Report required?

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

By Whom is Performance Progress monitored?

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

What is the Periodicity of Reporting and the Monitoring Visits?

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

PPII Management Arrangements

The PPII Steering Committee will oversee the program.

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

The SC's *membership* is as follows:

(i) *Chair*: Sec, DPLGA; (ii) *Deputy Chairs*: Sec, DNP and Minister-Counselor, AusAID

(iii) *Members*: Senior Representatives of Departments of PM/NEC, DPLGA, DNP, Treasury, Finance, and Personnel Management. Provincial representation on a needs basis.

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

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

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

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

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

(i) *Secretariat Chair*: Director, Capacity Building Division, DPLGA.

(ii) *Members*: DPLGA Reps., DNP Reps, AusAID Reps., Strategic Management Adviser

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

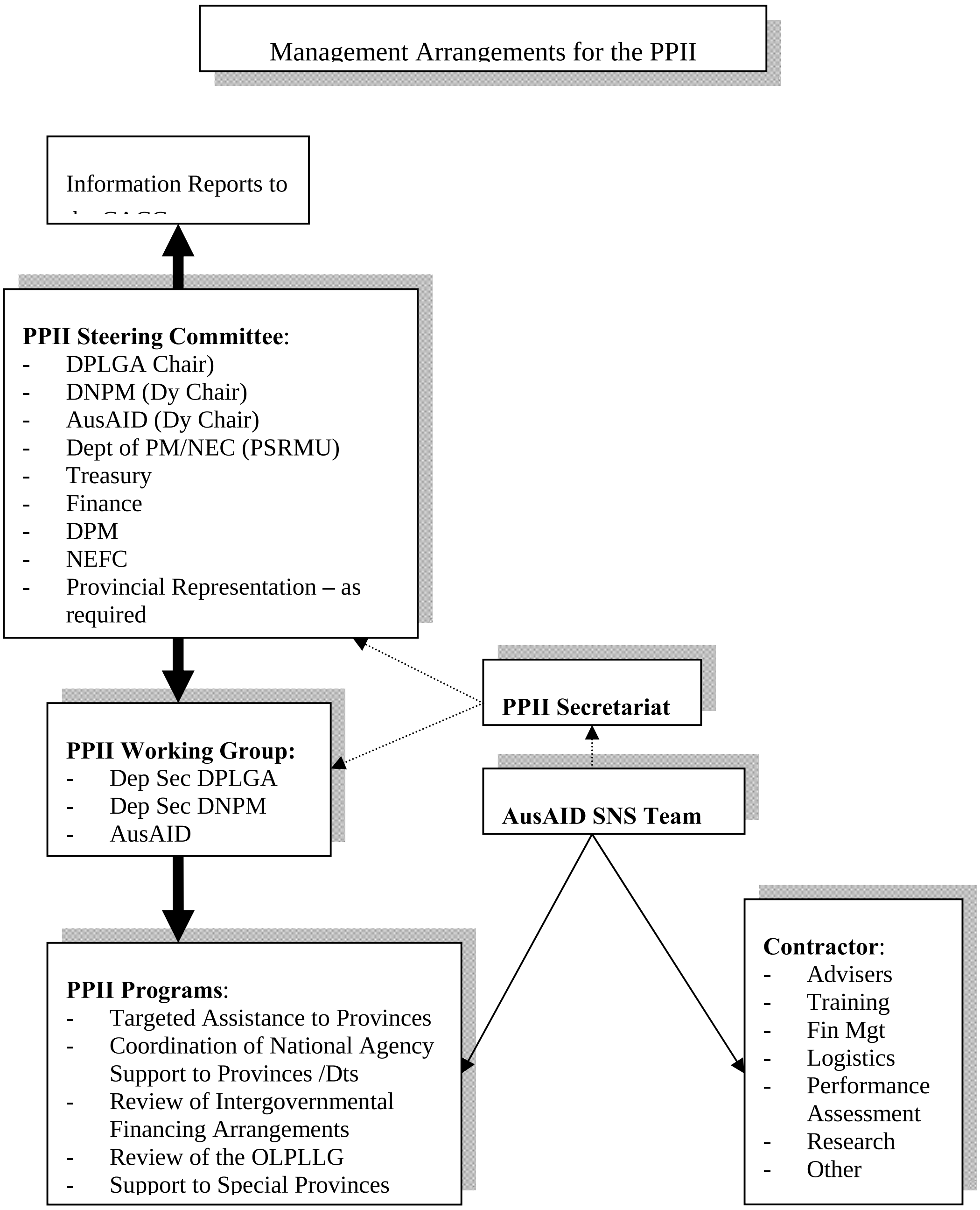
DPLGA's role is to: (i) take primary accountability within GoPNG for the achievement of the outcomes and outputs targeted by the PPII, (ii) coordinate with AusAID and the ISP on the assistance to be provided by them for smooth implementation, (iii) coordinate with other national agencies, both central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

DPLGA will fulfil its role through the PPII Secretariat.

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

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

PPII Operational Chart



Annex 1

Summary of Key Lessons from the Pilot Phase of the PPII

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

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

Annex 2

Provincial Corporate Management Indicators

A Guide for Provincial Management Teams

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

1. Internal Management and Coordination, and Direction
2. Mobilising Support of Key Stakeholders
3. Budgeting and Financial Management
4. Human Resource Management
5. Physical Assets Management
6. Technical Systems – support for frontline services

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

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

KRA 1 - Management Coordination and Direction

(Effectiveness of PMT members working with each other)

Corporate Management Indicators	**Self Assessment by PMT** Scale of 1 – 10 (10 is Excellent)	**Independent Assessment** eg by NMA Scale of 1 – 10 (10 is Excellent)
<u>Roles and responsibilities of the PMT members</u> 1.1 The *PMT is formally established*: the PEC, DPLGA and other concerned bodies are formally informed of membership. 1.2 The *roles and responsibilities of the PMT members* are clearly articulated and recorded. <u>Management – meetings, reporting, communications</u> 1.3 *PMT meetings* are held regularly, adhering to a publicised schedules 1.4 *Objectives and agenda for PMT meetings* are set ahead of time and all members are duly informed 1.5 *Meeting Minutes* are formalized and circulated to members, staff and to PEC 1.6 *PMT decisions* are followed through, tracked and reported on at the following meeting 1.7 *Sector/Divisional and DMT staff meetings* are held regularly, and their agendas aligned with PMT meeting agendas and follow ups. <u>Inter-Divisional and District Coordination and Reporting</u> 1.8 *Sector division heads and the DAs* meet monthly for coordination purposes. 1.9 *Divisions submit monthly reports* to the PA and DPAs 1.10 *DMTs submit monthly reports* to the PMT for discussion at PMT meetings <u>Programming, Monitoring and Reporting</u> 1.11 *Programming of operations at a sector divisional and district level* are done annually, based on the 5 year Development Plan, NMA Service Minimum Standards, Resource Availability, and Priorities for the immediate 12 months 1.12 *Sector and District Programs for the year* are printed and available for the PEC, the JPPBPC and the JDPBPCs. 1.13 *Sector program work progress* (including expenditure) are monitored, by district, and reported to the PMT and PEC every quarter. 1.14 *Section 119 Report and Reporting on NMA Indicators* is completed for each year and submitted by March the following year. <u>Coordination between Provincial Administration and Provincial Treasury</u> 1.15 *The Provincial Treasurer and the District Treasurers* are members of the PMT and attend PMT meetings 1.16 PT/DTs submit *Monthly Financial Reports* to the PMT 1.17 *DTs work closely with the Sector/ Division Heads and the DAs on budgeting and expenditure management* related to their development work programs		

1.18 *Information on CFCs* is provided on a timely basis to the PA, PT/DT DPAs, Sector/Divisional Heads and , DAs and LLGs. <u>Corporate Performance Management System</u> 1.19 A *Corporate Performance Management System* operates, which links district, division and section performance planning and monitoring to the planning and monitoring of corporate performance of the province.		

KRA 2 – Mobilizing Support of Key Stakeholders

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

Corporate Management Indicators	**Self Assessment by PMT** Scale of 1 – 10 (10 is Excellent)	**Independent Assessment** eg by NMA Scale of 1 – 10 (10 is Excellent)
<u>PMT/DMT relationships with PEC, JPPBPC, LLGs, JDPBPC</u> 2.1 The *Executive Officer (the PA) to the PEC / JPPBPC* always attends PEC /JPPBPC meetings as stipulated by OLPLLG. 2.2 The Executive Officer (DA) to the JDPBPC always attend JDPBPC meetings 2.3 The *PA requires reporting on outstanding PEC decisions* at each PMT meeting. 2.4 The *PEC Chairman* is actively involved in the planning/ budgeting process. 2.5 All *PEC decisions* are made within the framework of the Provincial and District Development Plans. 2.6 PMT submits to the PEC *quarterly implementation progress reports* on Development and Corporate Plans. 2.7 *Annual Provincial Performance Reports*, endorsed by PEC, are sent to DPLGA/IGR Minister (S119). 2.8 *Sector Managers report to PEC* (thru the Sector Committee Chairmen) on development plan progress, by sector on a quarterly basis. Reports are vetted by PA. 2.9 *Sector Committee Members are regularly briefed* by Division/Section Heads. 2.10 There is *clarity of roles between the PEC and the PMT*, with the PEC and JPPBPC adhering to their roles as defined in the Organic Law. 2.11 *LLG Presidents* are involved in the District planning and budgeting process. 2.12 The *JPPBPC and the JDPBPC meet regularly* as per the requirements of the Organic Law. 2.13 There is efficient *coordination between LLGs, JDPBPC and the District* administrations. <u>National Agencies and Donors</u> 2.14 The PMT works with National Agencies to establish and maintain *up to date sector databases*. 2.15 The PMT *aligns its annual sector program and budge*t with national sectoral priorities and plans, including MTDS 2.16 The PMT provides respective National Agencies with the *Province's Annual Program, Budget and Activity Plans* 2.17 The PMT clarifies with each key National Agency, the *allocation of*		

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

KRA 3. Budget and Financial Management

Corporate Management Indicators	**Self Assessment by PMT** Scale of 1 – 10 (10 is Excellent)	**Independent Assessment** eg by NMA Scale of 1 – 10 (10 is Excellent)
Revenue 3.1 The PMT has an established *revenue data base* for annual internal revenue forecasting 3.2 The *revenue collecting and receipting system* works efficiently with up-to-date records and reporting to PMT and PEC. 3.3 *Financial resources framework* is developed each year for the planning period. 3.4 PMT has a *strategy to enhance internal revenue* over the medium term. 3.5 The *Finance (Management) Act requ*irements are attended to on time. 3.6 The PMT assists *LLGs with regard to revenue raising strategies* and implementation. Budget and Expenditure Management Planning and Budget officers work closely to ensure a clear linkage between Budget and the Provincial Five-year Development Plan		

Corporate Management Indicators	**Self Assessment by PMT** Scale of 1 – 10 (10 is Excellent)	**Independent Assessment** eg by NMA Scale of 1 – 10 (10 is Excellent)
PMT fully participates in Budget formulation All key stakeholders are consulted during the Budget formulation period Approval of the Governor and PEC are sought and obtained at various defined stages, including the adoption of the budget strategy at the beginning of the budget process 3.7 *Annual development and recurrent budgets* are prepared *to match* available resources. 3.8 *Budget allocations* are as per agreed district development plans and in line with approved annual work plans for development projects and programs 3.9 *Expenditures* adhere to budgets and to development needs and priorities. 3.10 *Provincial budget information* is made available to the public. 3.11 *Provincial tender policy and guidelines* meet with requirements Financial Management 3.12 Provincial Finance Manager / Budget Officer co-ordinates effectively with Treasury Officers on timely *posting of Warrants Authorities & Cash Fund Certificate* and *processing of approved requisitions* for Expenditures. 3.13 Finance Manager / Budget Officer coordinates and submits *timely Quarterly Budget Review Reports.* 3.14 *Monthly revenue receipt reports and expenditure details* are submitted to Chief Accountable Officer on a timely basis. 3.15 PED undertakes *Quarterly Budget Review* as submitted by the PA. 3.16 *Annual Financial Statements* for Audit purposes are completed and submitted promptly after close of Accounts for the financial year. 3.17 The *Finance (Management) Act requ*irements are fully complied with		

KRA 4. Human Resources Management

Corporate Management Indicators	**Self Assessment by PMT** Scale of 1 – 10 (10 is Excellent)	**Independent Assessment** eg by NMA Scale of 1 – 10 (10 is Excellent)
Staff Position Allocations and Structure 4.1 Staff positions within the province *are allocated to support effective implementation the Provincial Development Plan*. LLGs are adequately staffed to provide essential services. 4.2 Up to date *job descriptions* exist which are relevant to the organization structure. 4.3 A *Staff Database* exists to ensure that positions are staffed with appropriate skills.		

4.4 *Non-working staff* are clearly identified and all efforts are made to effect fair separation. 4.5 *Succession planning* system is in place to ensure that key positions are promptly and suitably filled. Staff Recruitment and Performance Management 4.6 *Staff recruitment* is undertaken efficiently and professionally. No vacant positions remain. 4.7 An effective *Staff Performance Planning, Monitoring and Appraisal System* operates. Managers are duly trained in managing the system effectively. Staff Development 4.8 And effective *Induction System* is in place for all newly appointed staff. 4.9 An up to date *Training Needs Analysis* is available on staff development needs, and a *Training Plan* is in place and being implemented. 4.10 A *Manager Development Program* is operating to ensure that managers are able to motivate and mage their staff's performance effectively. Staff Discipline 4.11 *Disciplinary action* for continued non or poor performance is undertaken in a prompt, fair and objective manner. 4.12 *Staff counselling facilities* exist to assist staff who have personal problems. Staff Benefits 4.13 The *staff benefits program* is adequately budgeted for and managed efficiently. 4.14 Where staff is eligible for *housing*, a budget is made available for appropriate maintenance.		

KRA 5. Physical Assets Management

Corporate Management Indicators	**Self Assessment by PMT** Scale of 1 – 10 (10 is Excellent)	**Independent Assessment** eg by NMA Scale of 1 – 10 (10 is Excellent)
Inventory and Valuation 5.1 A *formal policy* on asset management and maintenance exists in the province and districts. 5.2 An *inventory/ registry* of all assets exist for each district and the province. 5.3 A formal *valuation* of these assets exists and an insurance policy, where appropriate, has been taken. 5.4 An *Inventory Management System* operates, including a current *Asset Register*. Maintenance 5.5 An *Asset Maintenance policy* exists with a discrete budget and clear		

responsibilities. 5.6 *Priority maintenance needs* are addressed promptly. 5.7 An annual *Asset Maintenance and Management Report* is provided to the PA by the concerned Deputy Administrator. Acquisition, Storage and Disposal 5.8 There exists a *formal policy* on acquisition, storage and disposal of public assets in the province. 5.9 The policy is *carefully adhered* to in practice. 5.10 *Storage* of spare assets is appropriately managed.		

KRA 6. Technical Systems Management

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

ANNEX 5 - 2008 Peer Review Report

SUMMARY OF PROCEEDINGS

PROVINCIAL PERFORMANCE IMPROVEMENT INITIATIVE (PPII) INAUGURAL PEER REVIEW

March Girls Resort

19 August 2008

TABLE OF CONTENTS

Executive Summary

The first annual Peer Review was held at the March Girls Resort, Central Province on 19 August 2008. The Peer Review was undertaken by provinces that have been participating under PPII.

The purpose of the review was to provide an opportunity for provincial representatives to come together and share ideas and views on a range of issues of relevance to the Provincial Performance Improvement Initiative (PPII), with a particular focus on sharing information on benefits, challenges, priorities and improvements.

Presentations were delivered by the following provinces:

- East New Britain (Phase II);
- Eastern Highlands (Phase II);
- Central (Phase II);
- Milne Bay (Phase I);
- Sanduan (Phase I);
- West New Britain (Phase I); and
- Madang (Preparatory Phase).

Benefits

All provincial representatives cited benefits from PPII assistance. Specific examples included:

- Increased access to support from within DPLGA;
- Assistance with the development of Corporate Plans;
- Enhanced technical assistance in the areas of corporate planning, finance, human resources, gender awareness and policy development;
- Enhanced access to financial support through PPII Trust Account arrangements;
- Benefits from co-located AusAID teams and technical advisers;
- Enhanced provincial performance;
- Enhanced internal capacity;
- Assistance with infrastructure development;
- Strengthened systems and processes; and
- Enhanced asset management.

Challenges

Some of the key challenges highlighted throughout the review included:

- Implementation of PPII-funded projects not on schedule resulting in PPII funds rolling over resulting in project costs and time over-runs;
- Lack of capacity within implementing agencies;

- Lack of capacity at the district levels, including LLGs to implement projects, including performing key service delivery functions;
- Lack of linkages between key provincial and central government agencies, in particular, Department of Personnel Management, Department of Finance & Treasury, and Department of National Planning and Monitoring;
- Department of Personnel Management's poor directions and commitment to permanent appointments, including provincial staffing re-structures
- Lack of political awareness and understanding by elected representatives on government systems, processes and procedures which needs strengthening;
- Lack of institutional capacity;
- Lack of human resource capacity;
- The need for greater coordination of different PPII activities, and PPII with other capacity strengthening programs that are targeting provinces as well;
- The need for greater clarity regarding the role of co-located teams;
- The impact of inflation on budgeted activities;
- Poor infrastructure capacity; and
- Limited Information technology capacity.

Future priorities

In terms of future priorities, the following issues were raised:

- There is a need to continuously review corporate plans;
- Stakeholder liaison and the development of effective partnerships needs to be enhanced;
- There is a need for effective coordination across all sectoral programs;
- Implementation of new organisational structures are a priority for all provinces;
- Enhanced support for LLGs and Districts to implement service delivery responsibilities needed; and
- There is a need to refine planning and budget processes further to enhance maximum benefit.

Lesson Learnt

Some of the key lessons learnt cited by presenters included:

- Corporate Plans and Development Plans sometimes differ and need to more carefully aligned;
- There is a need to be realistic about achievements rather than trying to include too much in plans;
- There is a need for greater integration within provincial administrations; and
- DPLGA's leadership and coordination is crucial for PPII.

Proposed improvements

Areas where participants indicated that the PPII could be improved included:

- Enhanced planning systems need to link more effectively to the Medium Term Development Strategy (MTDS);
- More effective monitoring, particularly by sector and district;
- Greater links to the Strengthening Provincial Internal Audit (SPIA) Program;
- Greater national agency coordination;
- Strengthening of PCMCs; and
- More effective coordination at the national level.

List of Attendees

A full list of attendees is provided at Annex 1.

Apologies

Secretary, DPLGA

Meeting Order

Opening

The Peer Review commenced at 9.45 with opening comments from Emmanuel Wrakuale, Deputy Team Leader for the Implementing Service Provider (ISP) to the Sub National Strategy (SNS). Mr Wrakuale welcomed and thanked all participants for their attendance noting that the review provided an excellent opportunity for networking and information sharing. In particular Mr Wrakuale noted that the day would provide an opportunity to talk through priorities for 2009 and to discuss ways to improve and move forward.

In addition, Mr Wrakuale noted:

- PPII has expanded significantly since it commenced in 2004 – this was not expected;
- Success is measured by the fact that PPII has been driven by provinces with key support at the national level through DPLGA, NEFC and AusAID – this is in many ways the key to its success.

Mr Wrakuale noted information sharing opportunities are therefore more important than ever. He noted two specific approaches for achieving this:

- Provincial exchange mechanisms; and
- An annual retreat or peer review.

Mr Wrakuale noted that today's event is the first peer review and that it is hoped that provincial exchanges would follow in the not too distant future.

Opening Comments from Director, Capacity Building Division, DPLGA

Mr Dickson Guina, the Director of the Capacity Building Division within DLPGA, stepped in for the Secretary, and apologized that the Secretary has made commitments to be at the Peer Review, however, urgent issues have prevented him from joining the Peer Review. Mr Guina, formally opened the Review on behalf of the Secretary of DPLGA.

Mr Guina thanked all participants for their attendance. He noted that the Peer Review was an important mechanism for the sharing of information.

He noted with particular thanks the ongoing support of AusAID and commended the Minister Counsellor of AusAID for her unwavering support.

Mr Guina also welcomed all technical advisers and AusAID co-located officers in attendance. He noted that both co-located teams and advisers play an important role in the PPII process.

Mr Guina welcomed representatives of the Implementing Service Provider in attendance together with representatives of the Autonomous Bougainville Government. He welcomed other stakeholders, including those in attendance from the National Economic and Fiscal Commission, the Department of Personnel Management, the Department of Prime Minister and National Executive Council, the European Union and others.

Mr Guina noted that this peer review was a first of its kind and that it would provide an opportunity to hear about lessons learnt and to work together to improve the lives of all Papua New Guineans. He then called upon the AusAID Minister Counsellor, Ms Margaret Thomas to say a few words.

Opening Comments from Minister Counsellor - AusAID

Ms Margaret Thomas began by thanking Mr Guina for his invitation to AusAID to attend the Review. She noted that the invitation was within and of itself indicative of the very productive working relationship between the Government of PNG and AusAID.

Ms Thomas noted that PPII has in many ways been a quiet achiever, evidenced through consistent growth over the last few years. As a demand driven program, growth is one of the most significant measures of success.

Ms Thomas noted that AusAID is very proud to be a partner in the PPII program. She indicated that AusAID welcomed the opportunity for continued engagement at the provincial level. As a demonstration of AusAID’s commitment, Ms Thomas noted that 18 designated AusAID personnel are contributing to the work of PPII. As a result, AusAID is providing support not just in terms of funding, but personnel.

Ms Thomas then introduced Ms Soli Middleby as the new Program Director for the Sub National Strategy. She noted that Ms Middleby spent about three years most recently as the co-located Development Specialist with the Eastern Highland Provincial Administration. Ms Thomas also took the opportunity to introduce Mr Romias Waki, the Deputy Program Director for the Sub National Strategy, noting his significant experience and contribution to the Law & Justice Sector program.

Ms Thomas noted that the Peer Review was a great initiative which would provide an opportunity for all participants to put forward their own ideas and thoughts so that everyone could learn and move forward with a common objective – to improve the quality of life for the men, women and children of PNG.

In concluding, Ms Thomas announced that she would be leaving Papua New Guinea in October after three and a half years as the Minister Counsellor. In doing so, she thanked all in attendance for their support and friendship during her time in Papua New Guinea. She wished everyone the very best as they continue with the important work of the PPII.

In response, Mr Wrakuale thanked the Minister - Counsellor for her comments and support to the PPII over the last three and half years. He then called upon Dr Badau from the National Economic and Fiscal Commission (NEFC) to say a few words on the important work of the NEFC.

NEFC presentation

Dr. Nao Badu, Chairman and CEO, NEFC, made a 30-minute presentation on the work NEFC is seeing as its highest priority for which PPII's support is very much needed. He noted that the NEFC has played a major role in progressing amendments to the Organic Law to allow for a more equitable distribution of funding at the provincial level. He indicated that just one more piece of legislation needed to be passed by Parliament to allow for full implementation.

Dr Badu noted that one of the most significant observations of the NEFC has been that historically most provinces have submitted budget bids that are way over their allowed ceilings. In many ways, this is a demonstration of the "fishing" process undertaken by provinces where they bid higher in the hope of getting the true amount that they want and need. This process has, however, been flawed on account of limited unit costing.

As a result, Dr Badu noted that the NEFC have developed a unit costing tool which tries to match the priorities of the MTDS with provincial priorities to establish *a true measure of fiscal need*. In doing so, Dr Badu noted that the primary objective of the work of the NEFC had been to ensure that the right amounts are allocated to the right areas to get the right result. He added that it is not the cost itself but how the activity is costed that is important, and noted:

- We are employed to undertake various key activities;
- Every key activity we undertake is made up of several costs;
- We need to establish what those costs are;
- We need to include them in the budget; and
- We need to monitor that the activity is carried out

In demonstrating this key point, Dr Badu provided an example using an Agriculture Extension Patrol. In doing so, he talked about the need to measure costs, build in assumptions, and combine those costs and assumptions to calculate the actual cost for inclusion in the budget. Dr Badu indicated that it is here that the unit costing model can help in two ways, and they are:

- Through the provision of information on cost estimates by sector, activity and level; and
- By building in costs that take account of priorities whereby allowing provincial administrations to chose what they want to do and showing direct cost through budgeted activities.

In making this example, Dr Badu again drew on the Agriculture Extension Patrol example to demonstrate how the model can work in practice. Dr Badu indicated that if used effectively, the model will help provinces to build their total budget in a way that is realistic and more defensible. The unit costing model helps to both test assumptions and to determine estimates. It is therefore a simpler instrument to assist provinces with the budgeting process.

Dr Badu concluded by noting the need to work together to implement the tool. He advised that on 4 September all Provincial Budget Officers will be invited to Port Moresby to be taken through the unit costing model in much more detail. This is because it is critical that Provincial Budget Officers and Planners fully understand the model. Dr Badau concluded by encouraging as many people to attend the September workshop as possible.

Mr Wrakuale thanked Dr Badu for his very valuable presentation. He indicated that the Unit Costing Tool would be useful for all provinces and invited participants to talk with representatives from Sundaun and ENB province who had trialed the model.

Outline for the Remainder of the Day

Mr Wrakuale then outlined the key priorities for the remainder of the day. He noted that in listening to the upcoming presentations that there were four key areas that need to be considered:

- Corporate plan implementation,
- Challenges,
- Priorities and
- Improvements to PPII.

Presentation by Phase II provinces

(i) East New Britain (ENB)

Mr. Xystus Kinala, representative of Mr. Akuila Tubal, Provincial Administrator of ENB, began with an history of ENB as a pilot PPII province in 2004, and noted benefits of PPII for ENB since then, and they include:

- Increased access to and support from DPLGA
- Assistance with the developing a Corporate Plan
- Access on request to technical assistance (corporate planning, finance, HR, gender, policy and legal);
- Funding of K1 million per year (total to date K4 million) which has been budgeted as part of the ENB annual budget process, with the majority of funds going to roads; and
- A Co-located AusAID team based in the ENBPA.

Mr. Kinala noted that one of the most significant achievements had been the development of the ENB Corporate Plan which brought together the ENB management team to articulate a shared vision and common understanding on how it wanted administrative systems to be strengthened in the future. In doing so, Mr Tubal noted that the Corporate Plan also provides a tool to track progress and improvements together with areas that still need additional support.

Mr. Kinala also noted improvements in the following areas:

- Planning Systems – through priorisation and the development of a series of KRAs linked to the MTDS;
- Budgeting – using the NEFC costing model;
- Monitoring – expanded quarterly monitoring and schedules to look at program implementation and asset registers by sector and district; and
- Human Resources – devolution of powers by DPM and completion of a restructure exercise.

In terms of achievements, he listed:

- Closer linkages between the PAC office and the Division of Planning;
- Development and implementation of a program on gender equity, including training for women running for the LLG elections;
- Strengthened relationships with the private sector through the Chamber of Commerce;
- Strengthened internal audit systems through participation as a pilot province with the SPIA program;
- Strengthening of legal officer's legislative policy and legislative drafting capacity;
- Better co-ordination of AusAID's activities in the province through the co-located staff and improved briefing to the administration;
- The successful nomination of a provincial officer for an Australian Leadership Award scholarship, and the nomination of a second candidate in 2008;
- Enhanced understanding of PLLSMA and the work of other National Agencies and stakeholders; and
- Establishment of the ENB PCMC.

In concluding, Mr Kinal noted that ENB will continue to work with PPII to progress a number of important initiatives. These include:

- Implementing a new staffing structure;
- Supporting Districts and LLGs to implement service delivery responsibilities with increased funding;
- Finalising Development Plans at the Districts and Local Government level; and

- Continuing to refine planning and budgeting processes to focus on improving service delivery.

(ii) Eastern Highlands Province (EHP)

The EHP presentation was made by Mr. Munare Uyassi, Provincial Administrator, EHP. He began with a note that EHP was of the first provinces to work under the PPII and that it was in fact EHP that invited PPII into the province. In that regard, he noted that EHP had actively worked with AusAID and DPLGA to make PPII a success. He added that EHP is now in Phase II of PPII. As a consequence, it has already started to change on a number of important levels. Examples include:

- Improved performance;
- Enhanced capacity; and
- Infrastructure development.

Mr Uyassi noted that the key to success for PPII is significant engagement at the provincial level. It is here that the provision of co-located officers has made a big difference for EHP.

One area of significant achievement has been the development and implementation of the EHP Corporate Management Implementation Plan (CMIP) which was completed and

launched in mid 2006. While implementation was initially slow, more than 50% has been achieved in the first half of 2008 alone.
Mr Uyassi noted that the CMIP would now need to be reviewed to accommodate the DPM Devolution Project.

Mr Uyassi then outlined the EHP CMIP Implementation Budget Schedule in detail, noting specific achievements against the six Key Result Areas (KRAs). Mr Uyassi also outlined the project status of a number of projects, including:

- The Onerungka High School Mess;
- The Yanepa Haus Maintenance – Electrical Works Upgrade;
- The Yanepa Haus Maintenance – Plumbing Works Upgrade;
- Yanepa Haus Maintenance – Exterior Works and Stairwell Painting;
- Lufa – Ubaigubi Road;
- Airport Road - Stage 1 and 2;
- Kesevaka – Kuzahapa Road;
- Awande – Purosa Road;
- The Tairora High School Dorms;
- The Lufa High School Science lab; and
- Okapa Rural Hospital Maintenance.

Mr Uyassi noted that specific achievements through PPII include:

- Strengthened systems and processes for good governance, accountability and transparency;
- Infrastructure Development;
- Incorporation of PPII Funds into the Provincial Budget (PGAS);
- Devolution of HR powers;
- Establishment of a Development Authority;
- The launching of a radio program; and
- Production of an EHPA Newsletter.

Mr Uyassi also noted a number of challenges. Specifically, these included:

- Project implementation not running on schedule resulting in funds rolling over;
- Lack of capacity for implementing agencies;
- Lack of capacity at district level;and
- Lack of understanding of Government procedures and systems by elected officials at all levels.

In addressing these challenges, Mr Uyassi noted that significant progress had been made in 2008 with faster implementation of projects and enhanced communication between Districts and EHPA Headquarters. Mr Uyassi concluded by noting that EHP remains ready and willing to contribute to PPII in the future.

(iii) Central Province

Mr Cliff Botau, Deputy Provincial Administrator, Central Province began by making an apology on behalf of the Provincial Administrator who was unable to attend the Peer Review.

Mr Botau then outlined some basic facts of Central Province, noting:

Districts	Land Area (km2)	Population	No. of LLGs	Parliamentary Member
Abau	7,124	34,000	3	Hon. Dr. Puka Tema
Rigo	5, 072	35,000	3	Hon. Ano Pala
Kairuku/Hiri	10, 215	63,000	4	Hon. Paru Aihi
Goilala	7, 587	35,000	3	Hon. Mathew Poia
Central Province	**29,900**	**167,000**	**13**	**Hon. Alphonse Moroi**

He then outlined the Key Result Areas of the Central Provincial Administration's Management Improvement Plan, noting in that PPII is providing significant support and assistance. Key achievements include:

- The development of an Integrated planning and budgeting system;
- The development of an integrated Provincial IT and Management system;
- Effective budget and financial management;
- An improved working environment (infrastructure improvement);
- Revitalisation of the Central PAC and the development of a HIV/AIDS workplace policy; and
- Development of key and effective partnerships with political partners.

In noting these achievements, Mr Botau also noted that a number of challenges remained. These include:

- Limited capacity to sustain implementation or programs;
- Limited capacity to implement programs; and
- Limited capacity to institutionalize initiatives.

As a consequence, key future goals for Central Province Administration drawing on PPII support are:

- A review of the Corporate Plan;
- A review of the Management Improvement Plan;
- Development of effective partnerships; and
- Development of effective coordination with all sectoral programs, districts and stakeholders.

Summary of Presentations by Phase II provinces

Mr Wrakuale thanked each of the presenters from East New Britain, Eastern Highlands and Central Province for their important contributions. In doing so, he Summarised key PPII areas of support – corporate planning, corporate management and service delivery.

Mr Wrakuale noted that all provinces are at the corporate planning and corporate management level and that all presentations so far had demonstrated that capacity remains a clear issue. Mr Wrakuale also noted that capacity remains an issue at the national level, both within DPLGA and other central government agencies. As a consequence, he emphasised the need for further coordination at both the provincial and national government levels to maximise levels of efficiency.

Questions and Discussions

Key Issues

Key issues raised during this session included:

- There is a need for coordination of activities across all provinces;
- Assets management remains problematic across all provinces;
- There is a need to ensure that LLGs are included in the PPII process;
- There remains a need for effective planning;
- There is a need to recognise the importance of Supply and Tenders Boards;
- Provinces need to link to SPIA and ensure that audit is a part of Provincial Corporate Plans;
- There is a need to work with PLLSMA with respect to core monitoring issues;
- Phase II provinces need to mentor and assist Phase I provinces:
- There is a need for provincial administrations to drive process;
- Provinces need to ensure that they adopt a partnership approach with PPII – this is one of the key elements of success;
- There is a need to learn from mistakes;
- DPLGA needs to work with partners to coordinate activities and support so as not to:
  - Be a burden on provinces; and
  - Constrain existing provincial capacity even further

- Most provinces do not have national agency coordination capacity within their own structures;
- Many provinces do not know what they have to do to coordinate national agency support;
- PCMC's need to be strengthened across all provinces:
- Funding for coordination is needed – this needs to be recognised at the national government level;
- There must also be a willingness at all levels - if provinces do not engage then they cannot realistically expect to receive support; and
- The National government must recognise that it has a leadership role to play:
- Lack of progress is a result of lack of leadership;
- There is a need for new thinking recognising that PNG must compete with the world – PNG is part of a "global village";
- Change must come from within – it cannot be imposed from outside.

There is therefore a need to:

- Think about how PPII has changed provincial administrations; and
- Consider where support is still needed.

At the same time it is necessary not to build dependency, but rather, position provincial administrations to stand on their "own two feet" so as to move forward independently. There is therefore a need to:

- Identify gaps and know what the actual need is; and
- Develop tools that can be customised to provincial need.

Southern Highlands Province

For the Southern Highlands, the following specific points were made:

- The major issue for the Southern Highlands is stablisation;
- PPII has the capacity to complement the work of SHP in this process;
- There is a need to ensure capacity to maintain continuity; and
- Government processes and systems need to be institutionalised.

Following discussion, the Provincial Administrator of Milne Bay Province was called upon to share his experience with PPII.

Presentation by Phase I provinces

(i) Milne Bay Province

Mr Henry Bailasi, Provincial Administrator for Milne Bay Province commenced his presentation by providing an overview of PPII support. He noted significant success on a number of fronts since the Province's induction to PPII in 2007. He noted that the province is now actively in implementation mode and working well in progressing key initiatives.

Mr Bailasi noted that implementation is generally progressing well. Specific progress includes:

- The Provincial Management Team meets quarterly;
- District Management Teams are now operational;
- Integrated Planning and Budget Process (Linked to 5-Year development/Sector plan and MTDS) have been adopted for 2009 Budget Formulation;
- The Milne Bay Provincial Annual Budget integrates all Sources of Funding (national grants, internal revenue, special support grants, GSAT, mining, etc);
- The Milne Bay Provincial Annual Budget clearly indicates allocation for services by Districts;
- A Staff Database has been established manually and is updated regularly;
- Job Descriptions for all positions have been established;
- A Performance-Oriented Staff Performance Planning and Appraisal System is now in operation; and
- Inventory of all Key Assets of the Province has been established;

Mr Bailasi then summarised progress against all KRAs in detail, noting the following specific areas of technical assistance provided through PPII:

- Planning & Budgeting
- Finance Management
- Human Resources
- Fixed Asset Management

Specific achievements for Milne Bay under the PPII include:

- PPII Procurement Guidelines now in place;
- PPII Procurement Committee has been established;
- Procurement under PPII funding is being accessed and is ongoing;
- There are two AusAID co-located officers based in the Province;
- A New Coding System for PGAS has been developed;

- An Integrated Planning and Budgeting model has been adopted for the 2009 Budget formulation of the province;
- Strengths and weaknesses of in the area of human resources have been identified; and
- A District Executive Training Program has been developed and implemented.

Despite these achievements, Mr Bailasi noted that a number of challenges remain for the province vis-à-vis:

- There is a need for greater coordination of the various PPII programs in the province;
- There is a requirement for additional staff to support the implementation of new interventions;
- Critical support from DPM and central agencies is required;
- There is a need to maintain continued goodwill of political leaders; and
- Districts need to become more involved in PPII activities.

Mr Bailasi pointed out that the Province is actively working to overcome these challenges using PPII support. Key lessons learnt for Milne Bay Province include:

- Corporate Plan and Development Plan differ;
- The current Capacity Building Plan [June 2007- Dec 2008] has too many activities to implement and expectations therefore need to be more realistic;
- Corporate Plan Implementing Activities have highlighted many areas that need to be improved and entrenched within the Provincial Administration;
- Funds must be used within the scope of activities; and
- DPLGA's leadership and coordination is crucial for PPII.

As a consequence, the following are key future goals for the province:

- Establishment of a Performance Management Committee ;
- Integration of Planning, Budgeting, Reporting & Monitoring processes;
- Aligning staffing structures with Development Plans;
- Development of career and succession plans;
- Development of an Operational Asset Management System; and
- Cost effective asset management.

Mr Bailasi put forward the following areas where improvements could made to PPII overall:

- DPLGA must take a lead in efforts to garner national government support for capacity building in the provinces;
- DPLGA must effectively coordinate PPII programs in the province;
- AusAID/SNS co-located officers need to monitor and coordinate the influx of programs running simultaneously in the province so as to minimize impact at the provincial administration level; and
- Terms of Reference for the AusAID/SNS co-located officers are required.

Mr Bailas concluded by acknowledging the support and assistance a number of stakeholders, including AusAID, DPLGA, Department of Planning and Rural Development; the Implementing Service Provider and personnel of the Sub National Strategy generally.

(ii) West Sepik Province (WSP)

Joe Sungi, Provincial Administrator for West Sepik Province commenced by providing an overview of the Province's participation in PPII. In doing so, he noted that Sanduan province has started from a very low base (minus performance) and is now working up to a level where significant gains can be made.

Areas of particular success cited include:

- The province's Corporate Plan 2006-2010 has been developed and focuses on 6 Key Result Areas (KRAs)
- A Capacity Building Plan has been developed, targeting priorities based on the Corporate Plan;
- There is strong political support for PPII ;and
- PPII is perceived as hope for the province to build its capacity.

Mr Sungi noted that WSP's Capacity Building Plan has eight core priority areas:

- Update data and inventory of assets;
- Human Resource Management;
- District Supervisory visits by Provincial Staff;
- Technical Training for District Staff;
- Review of Budgets, Plans and Work Programs;
- Review of District Development Plans;
- Strengthening of Provincial and District Communication; and
- A District strategy to motivate and retain staff.

Mr Sungi then provided a PPII status update for the province, noting:

- Corporate Plan approved by PEC in 2006;
- Corporate Plan Implementation Adviser now on site;
- Corporate Plan Launched on 12th July 2007;
- PPII Office furnished and operational;
- Bank Account Opened with BSP Vanimo;
- Funding Agreement signed;
- Capacity Building Plan commenced;
- Timely deployment of Advisers to the province;
- Administrative Restructure completed and approved by DPM;
- Standard Operational Manuals for HR, Finance & Assets Management in progress;
- Procurement procedures/policy development and in use; and
- District visits/forums planned from 25/08 – 05/09/08.

Mr Sungi noted that already the impact of PPII was being demonstrated. Specific examples included:

- There is now more consultation, collaboration and interaction amongst staff at all levels;
- PPII is creating a mind shift from complacency to a more performance-driven culture;
- PPII has assisted in bringing together National Departments and Service Providers to collaborate and assist the province in a more coordinated way;
- PPII is assisting the province to be more responsible, accountable and proactive;
- PPII financial arrangements are helping the province to understand how AusAID funds are channeled from Canberra to provinces;
- PPII has established the missing link for the province with DPLGA; and
- PPII has assisted in linking the planning process with the budgeting process (Integrated Planning, Budgeting and Monitoring) which is an essential part of the development process.

In noting these key areas of success, Mr Sungi also noted a number of issues and challenges impacting on PPII more generally:

- Inflation has affected Capacity Building Plan activities (estimates based on 2007 costing);
- District Development Plan Reviews will need to be completed by December 2008 – will need PPII support;
- Infrastructural Capacity at the District level is inadequate to absorb/ accommodate personnel under the new structure;
- Infrastructural Capacity requires assessment in each District;
- Institutionalisation of Integrated Planning, Budgeting and Monitoring Module will require further PPII support;
- Establishment of provincial database will be a challenge, again requiring PPII assistance; and
- Completion of activities that have been started and in progress (operational manuals, asset management systems, etc) will require significant effort.

In that context, Mr Sungi put forward the following recommendations for consideration:

- Financial support needs to reflect the costs of the Capacity Building Plan;
- There is a need for the province to undertake a comprehensive Capacity Building Needs Assessment Study for each district to determine service delivery gaps;
- The Province should continue to contribute in the selection and recruitment of SNS Advisers placed in the province as this is an essential part of the partnership process;
- More support will need to be given to District Administrations;
- A project approach be addressing specific capacity building needs of the province and districts is required; and
- National departments/agencies need to restructure themselves to provide timely support and advice to all provinces.

Mr Sungi concluded by stating that Sanduan remains committed towards improving its performance through the PPII. He noted the positive impact of PPII in the short time it has been in the Province. He also suggested that other donor funded programs/projects may seek to ride on PPII given its success and PPII could therefore eventually be internalised and institutionalised so that all government service delivery systems function in harmony.

He expressed his thanks to all those that have provided support to date and reaffirmed his commitment to work in partnership under PPII to advance service delivery in the province.

Lunch Break – 1.30pm to 2.40pm

(iii) West New Britain (WNB)

The Deputy Provincial Administrator for West New Britain, Mr Willimason Hosea commenced his presentation by indicating that West New Britain Province has made significant progress since joining PPII in 2007. Key areas of implementation include:

- Establishment of a WNB PPII Steering Committee;
- Allocation of a Corporate Plan Implementation Adviser;
- Implementation of WNB Capacity Building Plan, including:
    - Organisational Structure;
    - Information Technology & Communication;
    - Procurement Procedures;
    - Fixed Assets Management System; and
    - Training in areas of Planning & Budgeting and Human Resources.

Mr. Hosea outlined the following areas of progress:

- Finalisation of Organisational Structure;
- Progress in the areas of Information Technology & Communication;
- Procurement Procedures developed;
- Development of a Fixed Assets Management System;
- Training in areas of Planning and Budgeting and Human Resources;
- Completion of HR needs assessment;
- Job Design and Organizational Design Workshop;
- PPII HR Advisors assistance with the preparation of a new Organisational Structure; and
- PPII CPIA advisers support with the with development of a Provincial Audit Framework.

Mr. Hosea made observations that that despite these areas of success, a number set backs had been encountered. He indicated that it was important to mention these as a means of sharing experience and lessons learnt. Examples cited were:

- Late execution of the PPII Funding Agreement in May 2008;
- Missing signatory specimens within BSP; and
- Late Approval of PPII Procurement Procedures.

Mr. Hosea then briefly outlined the future planned activities to support PPII. These included:

- A further workshop on Integrated Planning and Budgeting targeting Districts & LLG Managers;
- Engagement with the SNS Gender Advisor during the Induction Program for LLG Presidents in September 2008;
- Involvement of PPII Advisors in Planning at LLG and Ward Levels; and
- Procurement of most of the activities as itemised in Capacity Building Plan before the end of 2008.

Mr. Hosea concluded by again noting his support for PPII. He indicated that to date coordination of activities had worked very well, particularly noting NEFC's presentation on 14 July 2008.

Presentation by Preparatory Phase provinces

(i) Madang Province

Mr Dorpar, Provincial Administrator for Madang Province added insight from the perspective of a Province in the preparatory phase of PPII. He noted significant support for PPII, noting the following major activities:

- Assistance with the development of a Provincial Corporate Plan;
- Workshops with PMT members facilitated by DPLGA;
- Internal discussions and reviews leading to a draft Corporate Plan; and
- Development of Capacity Building Plan (finalised in December, 2007).

Mr Dorpar then outlined each of the Key Result Areas contained in the Madang Corporate Plan in detail.

In terms of progress to date, Mr Dorpar noted that:

- The Corporate Plan has been reviewed to compliment timeframes and release of Budgetary funds starting in 2008;
- Monitoring frameworks for each KRA are now in place indicating outputs, achievement indicators, timeframes and details of responsible officers;
- A Corporate Plan Implementation Committee has been established with representation of districts;
- Two meetings of CPIC have been held together with one management workshop;
- Internal communication is being strengthened through regular scheduled meetings and printing of provincial news letter *Insight*;
- Linkages with private partners, especially development partners are being strengthened;
- A project for developing workforce policy (HR policy) has been developed (to be implemented in 2009);
- Asset registration and record keeping is now occurring;
- An e-Governance ICT project has commenced;
- A Budget implementation Plan has been developed;
- Linkages with the Strengthening Provincial Internal Audit (SPIA) program established; and
- Successful restructuring of administrative systems.

In considering progress, Mr Dorpar put forward the following reasons for success:

- Clear government vision and macro policy directives on good governance and accountability;
- Administrative support apparent and encouraging;
- Budgetary support provided to maintain co-ordination and implementation of Corporate Programs; and
- CPIC are taking ownership of the Program.

Mr Dorpar did however indicate that a number of challenges remain. Most of these challenges relate to implementation and effective allocation of budgetary resources.

To conclude, Mr Dorpar asked that the PPI I take note of the significant progress made by Madang Province, and in turn, consider the Province for induction into Phase I of the program.

Overview and Summary of Presentations

Mr Wrakuale thanked all presenters for their presentations, and observed that all sessions have been educative. He noted that there are many levels of support available under PPII and that this support must be targeted to achieve the best possible outcomes. He also noted that DPLGA itself is looking at internal monitoring, planning and reporting systems to ensure that it can respond to demand and need.

Dickson Guina supported Mr Wrakuale’s comments, noting that provinces need to ensure that they meet all the respective criteria before they can graduate to the next phase. To this end, provinces need to meet the relevant performance indicators contained in provincial Capacity Building Plans. DPLGA will continue to monitor this.

Mr Guina noted that capacity clearly needs to be increased across the board. To this end, he advised that DPLGA is currently in the process of approving a new structure based on its corporate plan so that DPLGA can meet the demands of provinces in the future. He indicated that DPLGA are also looking at capacity within the whole program so as to better meet need. Mr Guina encouraged those provinces at the preparatory phase to complete implementation of their corporate plans so that they can move forward to the next phase.

General Discussion

Mr Wrakuale then invited comments from the floor. Mr Namono made the following comments on behalf of Oro Province:

- Oro was initially inducted into the program however the natural disaster caused major issues for the Provincial Administration.
- The province needs to improve in a number of areas before it can proceed.
- The Provincial Administration is currently reviewing all plans but PPII support is needed. Without that support, it will be difficult to move forward.
- Misconceptions within the Provincial Administration led to misunderstandings of roles and responsibilities.
- PPII assistance will help in clarifying some of these issues so that the Province can move forward
- The Provincial Administration have requested support from Treasury and AGs on a number of matters with little response.
- Oro is unique – there are only three MPs – only two present at the moment – one subject to appeal in court of disputed returns
- If the Administration is not careful and fails to move forward things will get worse.
- DPLGA therefore need to come in quickly and assist.

The Provincial Administrator for Madang offered the following additional comments:

- PPII has helped the Province to develop a clear focus in areas that they could not have previously been able to deliver.
- As a preparatory province, they have developed a Corporate Plan which has allowed for the identification of three or four key areas where the province needs to increase capacity.
- The Province has developed a Capacity Building Plan, however the problem now is that they are ready to progress and need additional support from PPII.
- Should the Province have to wait until 2009 this will be somewhat of a setback.
- All Provinces should be allowed to progress and graduate as they meet specific requirements.

The following additional comments from the Administrator of Manus were noted:

- All provinces must think about what would have happened if PPII had never occurred.
- 20 years ago Manus was ahead but an audit found that instead of progressing and moving forward, successive Administrations “marked time”.
- As a result, the Province went from top two of all provinces to the bottom three.
- Since commencing as Administrator, he has tried to change the landscape and develop meaningful priorities.
- It has been difficult to engage the public sector - public servants do not like the idea of change.
- Had to find a way of motivating the public service.
- PPII has been a great motivator. It has worked wonders for Manus.
- PPII can work if it is harnessed, supported and championed at all levels. However, it must be linked with the other aspects of public administration that are not working as well. Example include health, education and infrastructure.

- Recent drive to implement MoUs have been ineffective – MoUs are not enforceable in law - they themselves do not drive change.

Other general comments included:

- There is a need to focus on the public service.
- All provinces need to look at internal structures.
- There is a need to focus on building capacity and encourage the private sector to be a partner in development through the use of public-private partnerships.

Conclusion

Mr Wrakuale thanked all present for their good work and constructive comments. In doing so, Mr Wrakuale noted the four key themes arising from the day's discussions:

- ICT needs;
- Coordination needs;
- Capacity in terms of ability to implement key projects at the LLG and District level; and
- Performance management.

Mr Wrakuale advised participants that a summary of the days proceedings would be prepared over the coming weeks and circulated to participants. He then handed over to Mr Guina to formally close the meeting.

Mr Guina again thanked all participants for their attendance, participation and contributions. On behalf of the Secretary of DPLGA, he declared the first DPLGA Peer Review closed.

Meeting closed 4.15pm

ANNEX 1 – LIST OF ATTENDEES

No	Name	Title/ Organistion
1	Ellen Kulumbu	European Union
2	Delilah Koja	DPLGA
3	Dixson Guina	DPLGA
4	Sabadi Kevau	DPLGA
5	Ray Kala	DPLGA
6	Rose Alphonse Pius	
7	Xystus Kinala	ENB
8	Romias Waki	AusAID
9	Takon Jones	AusAID
10	Dr Ben Imbun	ISP
11	Miriam Midire	ISP
12	Rozelyn Kenneth	AusAID
13	Ruth Javin	AusAID
14	Hungrabos	Western PA
15	Lavi Vele	DPLGA
16	Paul Namona	Oro
17	Joseph Dorpar	
18	Simon Simen	Madang
19	Wep Kanawi	Manus
20	Henry Balaisi	Milnebay
21	Margaret Muh	DPLGA
22	Taera Tarara	MBP
23	Grace Ina	Sandaun
24	Elizabeth Maulingin	Morobe
25	Hanema Asesave	
26	Idai Yuki	DPM
27	Dorothy Luana	AusAID
28	Jimmy Morona	AusAID
29	Leslie Tseraha	ABG
30	Roland Agembo	DPLGA
31	Jennifer Abema	NRI
32	Moale Vagikapi	AusAID
33	Eric Carlua	
34	Williamson Hosea	WNBP
35	Michael Kiangua	WNBP
36	Rei G Melepia	ISP
37	Gevo Mabone	DPLGA
38	Rosemary Hobart	DPLGA
39	Frank Akrakri	DPLGA
40	Clyde Hamilton	AusAID
41	Bill Rua	FMIP
42	Patterson Kassam	DPLGA
43	Joe Wavoers	
44	Joe Sungi	Sandaun
45	Dr Alphonse Gelu	NRI
46	Warimo Zakaria	DPLGA
47	Mate Pouna	
48	Kopi Palati	
49	Nige Kaupa	
50	Terence	DPLGA
51	Cliff Botau	Central

52	Elizabeth Babate	NEFC
53	Julius Wargirai	DPLGA
54	Roy Sorame	DPLGA
55	Arilla Haro	AusAID
56	Dr Nao Badu	NEFC
57	John Iamo	Central
58	Lambi Kinch	Central / Gov Media
59	George Selvanera	NEFC
60	Munare Uyassi	EHP
61	Bernard Noibano	EHP
62	Di Barr	ISP
63	Badira Vari	ORD
64	Andrew Liviarson	ORD
65	Anna Bea	ORD
66	Leo Duque	ORD
67	Tore Garry	ORD
68	William Powi	SHP
69	Tony Sia	EHP
70	Miai Larelake	Gulf
71	Roman Vincent	SHP
72	Lawrence Kalinoe	Constitutional Law Reform Commission
73	Ken Zilong	Constitutional Law Reform Commission
74	Kelly Lovuru	ORD
75	Paul Asii	ORD
76	Enaha Kwa	ISP
77	Emmanuel Wrakuael	ISP
78	Kevin Pullen	ISP
79	Rosie Rimats	ISP
80	Paul Bridgman	AusAID
81	Solistice Middleby	SNS
82	Rachael Moore	AusAID

ANNEX 6 - 2009 Peer Review Report

DEPARTMENT OF PROVINCIAL &
LOCAL GOVERNMENT AFFAIRS

DEPARTMENT OF NATIONAL
PLANNING & MONITORING

Papua New Guinea

Australian Government
AusAID

PROVINCIAL PERFORMANCE IMPROVEMENT INITIATIVE (PPII)

SUMMARY REPORT

SECOND ANNUAL (2009)
PPII PEER REVIEW

"SHARING SUCCESSES"

Department of Provincial & Local Government Affairs
Waigani, 2009

Table of Contents

BACKGROUND

PPII has been through an iterative journey since its commencement in 2004. As part of this, PPII has been exploring alternative ways to support capacity building besides the traditional approach of technical advisory inputs.

One way in which it is doing this, is by seeking out and creating better opportunities for increased interaction and information sharing amongst its stakeholders, especially, its clients – which are undoubtedly, the provinces and districts. Whilst PPII has accepted that the context and capacity in each province is different and PPII should not blue-print the support it offers, PPII has recognized that; amongst its clientele, there is a wealth of valuable information, including solutions to issues of service delivery, and through a process of review, stock take and sharing of knowledge and experiences, it is hoped that capacity strengthening can occur – with the ultimate aim of impacting on indicators of priority service sectors under the MTDS.

The second annual (2009) PPII Peer Review was organized by the Department of Provincial and Local Government Affairs (DPLGA) with almost all costs paid for by AusAID's SNS. It was held at the March Girls Resort, Gaire Village, Central province. It was a two-day event that ran from Thursday 15 to Friday 16 October 2009. It was well attended by Provincial Administrators, Deputy Provincial Administrators and other senior Officers from fourteen provincial administrations.

The theme of the 2009 Peer Review was *"Sharing Successes"*, and with DPLGA's leadership provinces were able to:

- Analyse their own performances;
- Share their experiences, and
- Learn from the approaches and solutions adapted by their peers who might have similar reform initiatives and priorities;

Ten provinces were invited by DPLGA to share their experiences, including short stories seen by themselves as achievements under the partnership with PPII. In addition, key partners of the PPII, including relevant national agencies from GoPNG and AusAID observed the proceedings and discussions to inform their on-going engagement and support to PPII.

This report is in three parts and is a summary of the proceedings and success stories as seen and told by members of various Provincial Management Teams (PMTs) based on their engagement with PPII to-date.

PART ONE: INTRODUCTION

Government of PNG (DPLGA)
Mr. Dickson Guina, Director, Capacity Building Division, DPLGA

Mr. Dickson Guina, Director Capacity Building Division, DPLGA, represented the Minister, Inter Government Relations, and Acting Chief Secretary to Government and Secretary, DPLGA. Both were unable to attend and sent apologies. Mr. Guina noted that it was pleasing that have key members of PMTs were able to make time available for this event as all stakeholders of PPI, both at national and provincial levels need to work together in a better coordinated way with a common objective – improved services for Papua New Guineans.

Government of Australia (AusAID)

Mr. Bill Costello, Minister-Counsellor, AusAID, Australian High Commission

- GoPNG has provided leadership in PPII, getting it established in 2004, and supporting 13 provinces to-date to assist in improving their performance and ultimately service delivery.
- AusAID has endorsed the theme of the Peer Review (PR) – "Sharing Successes". It is an appropriate theme as Stakeholders of PPII should build on their successes, and one way is through sharing of knowledge and experiences. Success has been achieved through hard work but we should not rest on our laurels as PPII continues to evolve. We should all strive to achieve GoPNG's commitments to the MDGs Australia committed in working with GoPNG in the achievement of the MDGs.
- Mr. Costello made reference to the "Port Moresby Declaration" which was launched in March 2008. It is based on principles of mutual respect, responsibility and commitment towards building a better future for both – PNG and Australia. Port Moresby Declaration has set the basis for partnerships for development and AusAID views PPII as a mechanism to support partnerships with GoPNG
- Mr. Costello encouraged stakeholders of PPII to look at the way forward, including asking themselves questions like: *What are our aspirations for PPII in the future?*
- He acknowledged that DPLGA is planning a review of PPII in the near future and AusAID is supportive of DPLGA in this process. It is hoped that some key questions could be answered by the review, and some of these questions are: *How do we ensure that the capacity that has been built up by PPII actually translates into tangible development outcomes such as service delivery? How can we work towards supporting provinces better in their reform efforts so that they cam deliver on the Minimum Priority Areas as part of reforms on inter-governmental reforms driven by NEFC? How can PPII support capacity at the district level? How should PPII engage with provinces that have already entered the PPII but are seen to be struggling? What is an appropriate set of criteria for PPII's Phase Three provinces to aspire towards?*
- Mr. Costello touched on the mid-term review (MTR) of SNS. He commented that, AusAID had undertaken a mid-term review of SNS in early this year. The review has a range of recommendations, and a key one talked about separating out SNS program and focus on a strategy to support provincial and district engagement. It is an approach beyond just support to PPII. It is about allowing support in more strategic and high-level policy areas. As part of AsuAID's efforts to address the issues identified in the MTR, a team under the Guidance Note will help to re-design the SNS.
- Mr. Costello touched on the SNS co-located teams in EHP, ENBP, and CP. Co-located Officers have helped AusAID better understand that provinces face different challenges, and "one size fits all" solutions do not work in this context. However, only by working together will provinces, national government and provincial governments achieve common goals. The MTR has also made recommendations on co-location. With GoPNG leadership on PPII, SNS co-located officers will step back and concentrate their efforts on coordination of AusAID's sectoral programs such as health and education. Co-located Officers are expected to provide support to other programs such as "Strongim Pipol Strongim Nation". He noted that AusAID's current thinking is to set-up regional offices. EHP and ENB co-located officers to work across a number of provinces.

PART TWO: PPII STATUS REPORT

DPLGA presented an update on PPII with some highlights of the program to-date.

Mr. Dickson Guina, Director, CBD, DPLGA

- Mr. Guina reiterated that PPII is an initiative of GoPNG. The decision to establish PPII was made by CACC on 12 July 2004. PPII's pilot phase commenced with Central, East New Britain and Eastern

Highlands. Since 2007, these provinces have moved to PPII's Phase II. Last year they were joined by Sandaun and Milne Bay who passed successfully through PPII phase I within a period of 12 months.

- He noted that initially, the key partners of PPII were DPLGA, DNPM and AusAID. However, with the expansion of PPII in 2007, the partnership was extended to include DPM & NEC, Finance and Treasury, Personnel Management and NEFC
- Mr. Guina restated the theme of the review, "Sharing Success" and encouraged provinces to focus on the positives as a result of their engagement with PPII. He noted that, the purpose of the Peer Review is to identify success in order to learn and perform better.
- Provinces in phase I are Simbu, West New Britain and Oro. Implementation for Oro has not progressed due to the state of emergency which was declared in November 2007 after the flood devastation.
- Other provinces at the preparatory stage are Manus, New Ireland, East Sepik, Madang, Morobe, Western Highlands, Gulf, Western and Enga.
- He stressed that in PPII the client is the province and DPLGA is the link between provinces and the National Government
- PPII has been partnering other capacity building programs such as SPIA and NEFC in supporting provinces to deal with issues of service delivery. He concluded that PPII needs to take a proactive rather than a reactive approach to development issues

PART THREE: SUCCESS STORIES

The following are summaries of success stories based on the experiences of ten different PMTs that have been engaged mainly under the Phase 1 and 2 of the PPII Program since 2007. It is important to note that, these stories are accounts from clients of PPII *as-they-see-and-wish-to-tell-them*, and as such, may not necessarily be 'successes' to a critical external reviewer. In other words, these success stories are debatable as tangible evidence of positive impacts of PPII. Nevertheless, these stories are 'small wins' and PPII will always acknowledge these successes so that it can build further on them to achieve its ultimate objective – *"improved service delivery by provincial, district and LLG administrations through more efficient and effective public administration."*

3.1 Benefits of a functioning PCMC – a story from Sandaun (West Sepik Province)

The Sandaun team led by Provincial Administrator Joseph Sungi shared that the:

- Membership of Sandaun's PCMC is broader than the PMT and includes all stakeholders and agencies in the province who concerned with, or having programs aimed at improving service delivery. A letter dated 24 September 2007, from the Secretary DPLGA, and some assistance from PLLSMA through the purchase of computers and the provision of technical assistance have enabled the establishment of the PCMC in Sandaun. This has since led to many positive outcomes for the province with the PCMC being able to:

  - Hold successful negotiations with Air Niugini Management and bigger aircrafts (Fokker 100) are now operating weekly flights in and out of Vanimo. This has enabled convenience of movement between Vanimo and Port Moresby, including other centres in PNG.
  - Ensure a well coordinated and province-wide involvement in the organization of successful District Development Forums. A direct outcome is the preparation and launch of District Development Plans with the first being the Aitape-Lumi district.

- Support a well coordinated and successful visit by the Australian High Commissioner and the PNG Governor General during their visit to the province in 2009
- Support the BSP, Vanimo, commercial branch to operate despite eminent threats of closure. In early 2009, BSP commercial branches in a number of provinces were being targeted under a major highly organized crime syndicate. Two separate provincial commercial branches actually closed operations as a consequence of robberies and losses. Vanimo managed to keep the BSP branch operational only because of a wide support solicited through the PCMC in which the provincial Chamber of Commerce, paid for and ensured security was provided to the BSP Branch Manager.
- Hold successful negotiations with Post PNG Ltd and provided security to re-open the Aitape Post Office after being closed for about 6 weeks
- Support was solicited with a private timber logging firm to open up a road link between Aitape-Lumi District and Vanimo at no cost to the government
- PCMC fostered better understanding and working relationships between stakeholders
- Overall support to the Vanimo General Hospital in its high achievement of a 5-Star-Hospital rating in PNG by the National Department of Health
- Better involvement and coordination amongst national agencies meant good PIP proposals were being developed, resulting in Vanimo General Hospital securing K5 million PIP funding.

- *Besides the achievements, key challenges and lessons learnt are:*

  - Lack of budgetary/financial support for national agencies based in the province can undermine the province's efforts in managing raised expectations of PCMC members and stakeholders.
  - Interruptions to PCMC schedules, including meetings as many stakeholders have different priorities from their own organizations
  - The ability of PCMC members to fully cooperate or contribute towards the objectives of a PCMC may be limited by commitments and priorities from their own organizations

- *In summary, Sandaun observed that:*

  - With the PCMC functioning, Sandaun's PMT has been able to achieve its corporate plan KRA #1 – mobilization of its key stakeholders, including national agencies in the province
  - The PMT's next challenge is in soliciting support widely amongst the members of the PCMC in increasing the level of internal revenue being generated in the province.
  - Based on the limited success so far of the PCMC, there is a recognition already that improvements to service delivery can occur without accepting all the time that financial resources is the solution to the issues of service delivery

Open discussions

East Sepik's Provincial Administrator (PA) sought details on whether there are indicators against which a PMT or, PPII (as a program), is able to measure improvements in service delivery, including the performance of a PMT.

Dickson Guina took note of the question and observed that the next aim of PPII going forward would be to develop an appropriate M&E system which would include performance indicators to measure service delivery. Tau Vali Deputy Secretary DPLGA noted that some national agencies have developed these indicators. For example, the priority service delivery sectors (and related indicators) are identified in the MTDS and in the Treasury / NEFC directives regarding the use of function grants. The priority sectors are – health, education, infrastructure, agriculture and law & justice. Key service indicators in these sectors have been short-listed via the

Minimum Priority Activities (MPAs) specified by Treasury and NEFC for each sector. For instance, in the health sector these are – effective running of health facilities/clinics, availability of essential drugs in health clinics, and periodic health patrols.

Eastern Highlands PA commented on PCMC model for EHP where he noted difficulty of involving private sector due to legal limitations on the authority of the PA to ensure compliance by private sector organizations. Only Government Sectors and Agencies make up PCMC and Private Sector is called on when required.

Manus PA enquired about how challenges in enhancing linkages and relationships between provinces and districts are being addressed. He offered that set-up of PCMCs may set right some shortfalls in this area. Sandaun PA acknowledged the enquiry and stated that a separate presentation by Sandaun on its functioning PMT will enlighten the meeting on this issue.

• 3. 2 Developing and implementing a Corporate Plan – a new experience by Morobe Province

The Morobe team headed by the Provincial Administrator, Kemas Tomala, shared the following:

- The development and implementation of a corporate plan is a fairly new experience for the Morobe PMT. Morobe province observed that it has not had a corporate plan since 1975, despite having development plans in place. With its new experience, Morobe believes that, without a corporate plan, implementation of development plans becomes ad-hoc and results in intangible impacts on service delivery. Morobe Province is of the opinion that corporate plans are highly relevant in supporting improved governance and organizational capacity, including better performance by public administration in meeting the development needs and aspirations of their people and elected representatives
- Leadership and ownership by the Provincial Administration, including the PMT, is a key factor in successful development and implementation of corporate plans.
- Managing well is not necessarily about having access to large sums of cash but having good corporate plans and managing the resources and technical systems of an organisation

Open discussions

DPA, EHP, John Gimiseve asked about continuity of ownership of corporate plan in the context of an environment with high staff turnovers.

Morobe's PA noted that, the biggest issue/constraint to development is resources, in particular, HR. The last staffing re-structure by Morobe province was done in 1996, and there is a need to review its current staffing strength. Overall, the province needs technically skilled and competent personnel to support its development efforts. It needs to attract these personnel and retain their services over time. Morobe province has identified a priority to focus on – raising the current levels of their internal revenue, and they need advisors to assist in this area over the next 3 years. He observed that, there is a very serious need to look at how the national development can be aligned with the financial management systems as money is being parked in national agencies while provinces and districts need money to deliver services to people.

Dr. Alphonse Gelu concluded that corporate plans have re-established a culture of better coordination, planning and teamwork in organizations, and local leadership and ownership are prerequisites to a successful corporate plan implementation.

• 3.3 Corporate Plan: a tool to coordinate & implement a corporate agenda – a story from Enga Province

- Enga observed that it has developed a corporate plan but has yet to launch it despite DPLGA's approval in 2007. While the plan is yet to be launched, implementation of certain aspects of the corporate plan has commenced, and it was expected that an official launch would be held towards the end of 2009. This should enable implementation to formally commence in January 2010.
- Enga continues to face many challenges in implementing its corporate plan due to external pressures that have come to bear on the PMT. In many instances, petty issues and political differences have hindered a smooth implementation of their corporate plan. In addition, remoteness and isolation of districts have often resulted in strong disconnections between the PMT and DMTs. This has allowed elected representatives, Open MPs from the electorate within the province to influence decision-making by JDP&BPC's. Despite this, some good practices are occurring, and some examples are:
    - ➢ The Enga Provincial Government (EPG) has established an office in Port Moresby with a senior officer employed at Public Service Grade 16 to coordinate national functions. This office is responsible for coordination and mobilization of stakeholders at the national level on issues of interest to the province. The office is fully funded and supported by the EPG;
    - ➢ Enga Provincial Administration holds regular top management team (TMT) meetings. TMTs are held monthly on a rotational basis at each district headquarters, and heads of all extended national functions are members of the TMT;
    - ➢ Improvements have been noticed in the overall area of asset management;
    - ➢ Under the Corporate Plan's KRA#6, *Performance Management and Technical Support System*, a number of key committees have been established to look at various issues that are hindering development efforts by the province. The Provincial Law and Good Order Committee and the Mine Review Committee are two examples. Issues being resolved by these committees include the PJV mine closure as well as improvement of working relations between various divisions of the EPG. These committees have supported the establishments of effective working relationships with corporate business houses in the province.

- *In summary, Enga noted that:*

It needs technical support from DPLGA to (i) create a database, and (ii) support monitoring, evaluation and reporting on implementation of their corporate plan.

There are serious issues surrounding procurement of goods and services. This is due to political interference in which processes, including requirements of the Provincial Supply and Tenders Board are circumvented. In some instances, the processes of the Central Supply and Tenders Board are bypassed as well, thereby totally undermining the requirements of the Public Finance Management Act. For some redress, there must be clear demarcation of roles and responsibilities between politicians and public servants.

Open discussions

Bernard Lukara, ENB DPA, related ENB's experience in the implementation of its corporate plan. He viewed corporate plans as a mechanism to support effective implementation of development plans. Corporate plans assist PMTs to identify management issues that are hindrance to achievement of development plans. Addressing management issues through a corporate plan presents a PMT the opportunity to re-establish and strengthen sound processes, procedures and systems of government. Benefits of these are wide ranging, including decision-making. For example, good decisions at JDP&BPC's should contribute towards effective implementation of service delivery programs with tangible development outcomes for a province. The ENB corporate plan which expires at the end of 2009 is expected to be rolled forward for a further 12 months so that it is concurrent with the district and LLG development plans which are being developed through a bottom-up approach.

Sandaun's PA shared two experiences of corporate plan implementation. First, is the importance of a decision for the location of PPII's central point of coordination within the set-up of the provincial administrative team – Sandaun had choices between the Division of Planning and the PA's office. Sandaun opted to place the PPII coordination office within the PA's Office. This has enabled strong support and direction for PPII from the executive management team. Second, consistency and continuity in coordination of PPII activities – Sandaun has appointed Grace Ina as the PPII Coordinator, and the position itself has been permanently integrated into the provincial staffing structure. Grace has strongly supported the implementation of Sandaun's corporate plan. He added that it is also important to have continuity in terms of advisory support. For example, James Ogia has been the Corporate Plan Implementation Adviser since 2006. Furthermore, he observed that where top management is involved, consideration should be given to share program responsibilities with the deputy PAs as much as possible because PAs can not be expected to be involved in an intensive way given their commitments, including absenteeism from provinces with regular visits to Port Moresby, etc.

• 3.4 Benefits of a capacity building plan – as observed by Madang province

- Madang observed that the objective of its Capacity Building Plan (CBP) is *"to bridge the gap between its corporate plan and development plans."* The corporate plan has highlighted shortfalls and weaknesses within the administration and the CBP is an *Action Plan* to addresses these corporate management issues
- Madang had developed its corporate plan through a participatory approach with inputs from the PMT, and all districts and sectors. They were consulted so that their capacity building needs could be incorporated into the CBP. This was achieved by visiting each district and looking at capacity needs at the district level and sectors. The Planning and HRM Divisions worked on developing the Capacity Building Plan. Once the CBP was completed, it was submitted to DPLGA for review and approval. The following were cited as reasons for Madang's success in developing its CBP

    - Having a common strategy in place
    - Formulating a plan to develop the strategy and adhere to timelines in the plan
    - Involving staff members and ensuring that there is commitment from them
    - Allocating responsibilities, in Madang's case, the responsibility was placed with one division – the Planning Division
    - Promoting teamwork and understanding the need of a CPB is very critical

- *Besides the achievements, key challenges and lessons learnt are:*

    - Prior commitments of districts and sectors to their own programs can limit their abilities to support reform initiatives with the best of intentions;
    - Different public sector programs are happening concurrently and lack of coordination with relevant national departments and agencies that are managing the reform programs are resulting in duplication and wastage of limited resources

- There are uncertainties on funding components under many reform programs and provinces can suspect the partnership. Often this issue results in provinces having to meet on-going costs from their own sources
- There are also uncertainties with appointments and placement of advisors in provinces. DPLGA needs a clear message to provinces.

• 3.5 Staffing re-structure: a bottom-up approach by the Eastern Highlands province

- EHP noted that despite having great plans, skilled and competent personnel is a major setback to efforts in improving services in districts and LLGs. EH, PA, commented that, *"Do not worry about money or ceilings and limit your thinking when planning a staffing re-structure but determine what workforce is required to deliver the services".* He added: *"Ask yourself whether you have the capacity and manpower to deliver basic services to the districts, LLG's and wards. Do you have government presence (public servants) in these areas"?*
- The PA related that past restructures have always been done to get rid of people or to absorb new people into the public service. Focus should now shift from *"where do I fit into the organization to…how do we best deliver services to our people"?* He restated the current focus – deliver services at the wards, LLGs and districts. This is in line with the strong political vision to ensure service delivery is effective at the grass roots level – where it matters most. EHP has a strong wish to facilitate this vision. However, their greatest setback is the lack of capacity to deliver services at these points.
- In its response to this issue, EHP has undertaken a staffing re-structure with the aim of transferring skilled and competent personnel down to the districts and LLGs. Focus of the restructure is 83% of personnel is at the district and LLG while 17% is at the Provincial HQ in Goroka
- With focus of restructure now aimed at districts, LLG's and wards, more infrastructure is needed.
- EHP re-structure process has departed from the traditional approach of 'cut and paste' and was achieved through a bottom-up approach which was facilitated through sub-committees representing districts and sectors. Each district and division prepared their staffing needs and submitted to the PHQ for consolidation. No consideration given to staff ceiling and money ceiling as *"needs on the ground should dictate budgetary appropriation and not the other way around"*. All job descriptions were completely new and based on actual needs. Proposed structures from the sub-committees were submitted to the Provincial HQ re-structure Committee which undertook a vetting process.

Open discussions

Sandaun's PA commented that there should be caution though: Not connecting the actual costs of service delivery to personnel and administrative costs can add to the reverse effects of improving services. He explained that annual salary costs will increase exponentially, and money that should be allocated to priority sectors for improved services will be absorbed into meeting increased salary and administrative costs. He offered that the work of NEFC could assist to inform provinces in designing fit-for-purpose staffing structures with a balance between personnel and administrative costs and actual costs of delivering services.

• 3.6 Integrating planning and budgeting (IPBS) – a success story from Milne Bay province

- Milne Bay's aim under the IPBS was to develop a plan-driven budget where annual plans and programs are fully integrated into an annual budget. The Planning Division of MBP has kept a simple and practical approach with the most basic form of planning being annual activity plans with priority activities with itemized costing for an expenditure activity. This has supported internal performance management, including reporting and accountability. Milne Bay cited some un-expected outcomes from its IPBS, and they are:

- Having a planning and budgeting calendar where activities are coordinated
- Having a planning and budgeting review process, and strict adherence to the review timelines
- Carrying out regular financial and activity performance reviews by sectors and program managers

- *Besides the achievements, key challenges and lessons learnt are:*

  - LLGs are isolated as Milne Bay is a maritime province, and roll-out of the IPBS is expensive;
  - Late release of funds by funding agencies for planning and budgeting can affect smooth implementation at the provincial level
  - Uncoordinated programs from agencies at the national level is stretching resources and adding to wastage

- *Where does Milne Bay see itself going?*

  - Shift more towards outcome-focused planning and budgetary processes. Use this as a means to support measurement of indicators for improved services.
  - Require an effective planning and budgeting system that can capture all source of funding for its annual programs and activities
  - Adopt a good internal reporting system for its management team, and
  - Effectively use its planning and budgeting calendar budgeting system

- *How does Milne Bay see itself getting there?*

  - By setting and following an annual planning and budgeting calendar
  - Continuing to operate a functional and effective PMT
  - Roll-out its IPBS to districts and at the same time make the IPBS more user-friendly
  - Continuing incentives from PPII, either financial and technical assistance

3.7 Integrating gender issues into the workplace – ENB's success story

- ENB noted that, in line with its strategic vision for the province, and specifically under its Strategic Result Area (SRA) #5, gender issues have been accepted and introduced into the province in 2007 prior to the general elections.
- ENB received technical advisory support on gender issues for intending women candidates in the 2007 general elections and also at the LLG elections. As a direct outcome, seven women were elected at the LLG elections and are now Ward Councillors in their local communities.
- Furthermore, female members of the PMT have been appointed to management roles under the new staffing structure. This initiative will promote positive contributions and by women, including decision-making within the ENB Provincial Administration
- Some awareness activities that have been undertaken to promote gender issues broadly include:

  - Local radio programs to promote women and youth involvement in community activities
  - Identifying and supporting role modeling through sports, and

- Integration of gender issues broadly into other programs under ENB's strategic vision, particularly, SRA #8

Open discussions

Oro's PA commended ENB for having allowed strong participation by women in nation building and encouraged other provinces to follow suit.

EHP, Deputy PA, also commended ENB and stated that EHP has commenced a staffing restructure. He has taken heart from ENB's story and would encourage women to be given fair consideration in filling in vacancies in EH Provincial Administration. EHP has 107 village courts and 87 have women on the village courts.

Sandaun commented that there was some interference with ladies at the top level - we must respect them and allow them to perform their roles and responsibilities.

Dickson Guina commented and challenged the PA's to hire women to change this country – used the example of most of his division's staff are women and look how they have reformed DPLGA.

The importance of women participating in decision making processes is so important for development they are now at the LLG level where the service delivery is delivered.

• 3.8 Benefits of a functioning PMT – a second story from Sandaun

- *EW and VM late and had no notes. Di and Rakwa to provide notes....alternatively, get copy of presentation and insert relevant bits in here....*

Open discussions

- EHP Deputy commented about the difficulties of actually having regular DMT and PMT meetings due the large number of unscheduled interventions from Waigani.
- Department of Education produces an excellent annual calendar scheduling all events – an events calendar is very useful Second PLLSMA meeting agreed to a 2010 calendar like the 2008 calendar

• 3.9 Benefits of an asset management system – the experiences of West New Britain Province

- WNB's asset management system was initiated at a workshop in April 2009. The workshop had set-out a framework for the asset management system. The framework guided the development of a Procurement Procedures Guidelines which was consistent with requirements of the Public Finance Management Act and PSTB/CSTB requirements and guidelines.
- Technical assistance was provided to develop linkages between acquisition and management of assets in a systematic manner with the development of an Asset Coding System to record all fixed assets purchased by the province. Since then a Provincial Assets Coordinator has been appointed and attached to Finance Division

- *Some un-expected outcomes from WNB's asset management system are:*

- Individual divisions have re-established a better appreciation of proper procurement procedures for the overall procurement of goods and services by the government, and management of these assets
- Asset coding and labeling has given confidence to politicians, public servants and the public at large that procedures have been re-established to manage and report on public assets
- Improved communications with very remote districts and outstations helps overall communication including in the area of asset management

- *Besides the achievements, key challenges and lessons learnt are:*

  - Late execution of PPII Funding Agreement in May 2008 delayed implementation of 2008/2009
  - Resignation of the Corporate Plan Implementation Adviser had slowed progress on implementation of planned activities in 2009

- *Where does WNB see itself going?*

  - Strengthen its integrated planning and budgeting. Additional workshops on integrated planning & budgeting are required for district and LLG Managers and personnel
  - Require strong involvement of PPII technical advisers at LLG and Wrd levels
  - Fully implement the Capacity Building Plan before the end of 2009
  - Establish a central asset registry, and
  - Design a website for WNBP Administration

Open discussions

Questions were asked about disposal of public assets in light of districts procuring assets through the DSIP and not maintaining an asset registry. In the same context, queries were raised on assets being procured from other sources of funding.

WNBP assured its peers that it is re-establishing its procedures and is aspiring to follow closely requirements of CSTB insofar as asset disposal and replacement is concerned. As part of this, all assets purchased from all sources using public funds are recorded in an asset registry, labeled and monitored

During discussions a common development issue between ENB and WNB was identified. The need for a rural radio network linking up HF radio network between the two provinces was seen as a priority issue to be jointly addressed. WNB has installed HF radio network in the province and it is proving to be an efficient, effective and an affordable means to support internal communications between a number of key sectors and programs, and across its two districts in the province. The HF radio network is part of the ICT capacity building in the WNB capacity building plan and it is being rolled-out in stages. Stage 1 is PHQ and then further roll-out to the districts. WNB restructure will see 75% of personnel at LLGs and communications is essential. It was also noted that there is an effective national health radio network and provinces should consider investigating how to tap into this existing network.

East New Britain related experiences on general IT systems, IT policies to guide use and minimize potential of mis-application of IT equipment, etc. WNB noted that it has a draft IT policy which is to be finalized shortly

Reliable power supplies in the districts are a major constraint which has stalled the District Treasury Roll-out Program spearheaded by the Department of Finance and Treasury in 2006.

• 3.10 Why asset inventory is critical in asset management – a story from Milne Bay Province

- MBP provided a background and highlighted that it did not have policies and procedures and an asset management system previously. However, with PPII's support, a new fixed asset management system has been put in place in 2008. The system starts with a simple and practical coding system with a key feature being two sets of numerical prefixes to identify the 'owner', and the funding source (including donors, etc) from which the fixed asset was purchased from. The benefits of this system have enabled Milne Bay to establish:

  - ➢ A set of procurement guidelines with an asset coding system.
  - ➢ A fixed asset management committee and asset management trainings have been conducted by PCab
  - ➢ Delegation/separation of duties in the procurement of fixed assets. This acts as a check and balance system for reporting and accountability. This change has been embedded in revised job descriptions that have prescribed responsibilities of personnel entrusted with the custody and care of fixed assets

- *Key challenges and lessons learnt are:*

  - ➢ Coding of fixed assets procured under DSIP and DSG is a challenge as the ownership of these assets can be with Chiefs and because of Milne Bay's chieftain system, it is disrespectful to separate 'ownership' of these assets once they have been handed to them.
  - ➢ There are lack of fixed asset registers at districts and LLGs. The lower levels of government are yet to be trained on asset management and difficulties are being experienced with LLGs in coordinating and reporting on fixed assets under their oversight and custody

- *Milne Bay's next steps*

  - ➢ Have a fully-fledged asset management system that is both – operational and cost effective
  - ➢ Develop a separate asset coding for LLGs

Open discussions

John Gimiseve DPA Eastern Highlands commented that EHP has a functioning PSTB – but increase in threshold from K100,000 to K300,000 have further weakened close scrutiny of expenditure. For example, vehicle can be bought as individual purchases without going through PSTB. These vehicle units are not registered and plated as government assets but having private number plates. PA Morobe noted that threshold was increased by Finance Department and if provinces are having problems then a request should be made to reduce threshold to a manageable level.

EHP further spoke of a centralized procurement process to maintain control of plant and equipment. ORD was asked to check if funds meant to purchase assets at LLGs are instead ending up at Districts. EHP also queried how to capture valuation of assets, source of funds, depreciation etc. How is it done, that is, whether it is captured on template? MBP responded that presentation was only a snapshot of entire report which captures all of these.

PA EHP commented that there is a need for a centralized purchasing division as District Administrators currently have power to procure so purchases are done anywhere and at anytime.

Deputy Director ORD spoke about the positive relationship with PPII assisting DSIP. Officer commented that the way Milne Bay is managing procurement is the way to go. Gave an example of a case in Rigo District in Central about purchase of MV.

• 3.11 Audits and responses to audit findings – claims from Simbu province

- Simbu made claims that, as a result of audits in Simbu, there is:

  - ➢ Effective financial management system, including auditing and reporting processes
  - ➢ An integrated planning and budgeting system in place
  - ➢ Effective coordination between the provincial treasury office and district treasury offices
  - ➢ A set of procurement policies, and a fixed asset register

• 3.12 A bottom-up approach in District Development Planning – as seen by Central province

- Central Province noted that it was a pilot province for SDMM and a direct link has been perceived between development planning and SDMM. They are viewed as complementary, and as part of that, Central province had shifted its focus to districts and LLGs.

  - ➢ In line with this, district development plans are being developed with the Abau District Development Plan having been completed.
  - ➢ A full participatory approach is being used through bottom-up planning with wide consultations involving various internal stakeholders. This approach has engendered some good practice.
  - ➢ For example, (i) the development plans have been made user-friendly with the development of an Annual Implementation Guides to assist in effective implementation of the plans, (ii) it has engendered some sector level outcome-based planning with strong focus on service delivery and economic development, (iii) it has also promoted strong ownership of the plans, and (iv) it has increased focus on monitoring and evaluation, and reporting, including performance management

- *Key challenges and lessons learnt are:*

  - ➢ The participatory approach, despite being inclusive, is a very time consuming exercise
  - ➢ There is a lack of understanding of impediments and channels for the flow of funds at district and LLG levels in trying to compile an Operations Manual for the province.
  - ➢ Service delivery mechanism is all about partnerships in improving services so all funding sources must be incorporated into the annual budget to achieve the common objective.
  - ➢ So many needs exist so prioritizing development needs against capacity and resource constraints is essential.

- *Next steps for Central province are to:*

  - ➢ Develop District Growth Centres followed by LLG Growth Centres. LLG Growth Centres will then support rural communities and sub-service centres. Growth Service Centres are expected to create

economic development at districts and LLG's which will in turn attract public servants to be based at the rural communities.
- Embark on a phased and realistic Out-Growth Service Centre Model to achieve its goal of improved service delivery for its people.

Open discussions
The model developed by Central was commended but queries were raised about significant investments that have gone into the "Central City". Queries were also raised about the involvement of the private sector and churches in the context of Growth Centres and the rationale as seen by Central province. It was observed that, supposing the growth centres were economic hubs, then the private sector should have some inputs. ENB related its own experience where the concept of growth centres was developed after the twin volcanic eruptions in 1994 that destroyed township of Rabaul. Overall, it was accepted that it is important to fund the enabling environment at districts and LLG's to attract private sector investment.

• 3.13 Development planning and service delivery – Another story from ENBP

- From ENBP's experience, they stressed the importance of aligning development plans with national policies and strategic objectives, including plans, e.g., the National Strategic Plan and the Medium Term Development Strategy. There must always be a realization that, there is one ultimate goal is service delivery and stakeholders and plans should not compete but complement the inputs of the other. Therefore, for this to happen there must be:

  - Improved communication between the PHQ and district and LLG managers can assist in improving the development planning process, and a good planning process will involve; (i) identification of some overarching goals, and (ii) an inclusive process where all stakeholders including open MPs and urban LLGs are involved to the extent that, they can eventually pool resources together for implementation of plans. Participation and consultation of private sector and churches is essential as they are key stakeholders in the development process of a province. To facilitate this, clear legal frameworks must be established for public/private partnerships in development
  - Good monitoring and evaluation of the plans. An integrated planning and budgeting process is perhaps the first step towards the establishment of a good monitoring and evaluation system.
  - Budgets need to be structured to support the administrative restructure, including incentives for public servants relocating to districts. This is in light of 80% of the public service personnel being relocated to districts and LLGs while 20% remains at the Provincial HQ
  - Clarity of roles and responsibilities. Districts and LLGs need to realize that their core business is the implementation of development plans.
  - A better understanding of growth centres and service centres. A growth centre has infrastructure that attracts and encourages economic activity whereas a service centre can be best described as an administrative centre to coordinate delivery of government programs and services.

- *The approach by ENB has been simple, and this means:*

  - Getting back to basics by: (i) setting priorities and making effective use of limited resources, (ii) promoting results-oriented performance, and (iii) using evidence-based decision making processes.

• 3. 14 A successful district engagement program – A final story from Sandaun

- Sandaun has four districts and is the third largest province in terms of land mass. It is sparsely populated, and except for one district, all other districts are accessible only by air. In responding to this challenge, it has:

    - ➢ Launched air charters to provide services to districts. Charters are planned, coordinated and guided by District Air Charter Committees.
    - ➢ This has enabled the PMT to conduct regular district visits for monitoring and reporting. To support this, Sandaun has also established District Performance monitoring Units to link up with Provincial Performance & Monitoring Committee (PPMC)
    - ➢ Line agencies such as health and education assist in funding charters as charter benefits are shared by all.
    - ➢ The province has also developed Ward Development Committees and appointed Ward Development Officers. Ward Councillors are chairs of ward development committees. Wards have also been assisted with funds for ward development needs. 346 ward accounts have been created with grants of K2,000 each.

• PART FOUR: CONCLUSIONS AND 2010 PEER REVIEW

The following are some closing remarks and suggestions made by participants for consideration in next year's Peer Review and in the PPII Program in general.

- Central agencies must be included in future peer reviews
- Corruption and theft: How is the program going to assist the PMTs deal with the issues of corruption and theft of public monies? We have not addressed this issue at this Peer Review – suggest that this should be the theme for next year's Peer Review or if not be a topic for presentation/discussion.
- Audits are good – but how many prosecutions have we done? Mandatory things provinces are supposed to be doing – audits, compliance issues – who is fulfilling these obligations?
- There must be some factual achievements displayed and we must demonstrate this. There is a need to provide some statistical data from PPII provinces showing what has been achieved.
- Successful project implementation is difficult – we want the statistics of the actual projects completed. How many roads have we built, bridges, schools constructed etc.
- Next peer review to focus on tangible impacts of PPII on service delivery. How has the capacity built in PPII provinces assisted in lifting the indicators of services in the provinces?
- We need to look at enabling environments in districts and LLGs to support service delivery at these points.
- Service delivery is driven by certain elements – HR – we must look at the receiving end – at the ward level. HR at the ward level are there to be used – retired public servants residing in villages are resources that can be utilized. There is a need to carry out an inventory of retired public servants in each province at the ward level – a cost saving measure in terms of HR.
- Concerns raised on indicators – Manus is implementing without being a PPII province – use the Corporate Plan to measure the indicators. Being number one in Health Service delivery is not enough when the indicators are still poor – maternal health, infant mortality etc. – we need to measure improvements rather than MPAs. Let's use the real indicators.

- Many larger richer provinces are lagging behind the poorer ones. Generally, the highlands region is leading the other three regions by a great margin – last year's education report for the top six provinces shows that five are from the highlands.
- PPII is an intervention program – what is best practice, what are the weaknesses in our systems – PPII helps provide a framework to improve. Strong programs depend on the drivers of the programs. Provinces need to strengthen services themselves. We know our strengths and weaknesses and our capacity problems – almost nil capacity at district and LLG levels – there is a need to consider Graduate Training Programs – Provincial Cadetships where university graduates are recruited and inducted into the public service.
- Consider 'independent' claims of successes from provinces. Bring in an independent team to evaluate provinces and present the success stories at the next peer review.

Venue and timing for the 2010 Peer Review

East New Britain Province has agreed to host the 2010 Peer Review. The timing has been agreed for the 3rd Quarter. The Theme of the Peer Review would be decided later and provinces informed accordingly.

• ANNEX 1: INTERACTIVE SESSIONS WITH NATONAL AGENCIES

Two interactive sessions on each day of the Peer Review were held with representatives of national agencies that were present at the Peer Review. Summaries of discussions during these sessions are presented here.

• Thursday 15 October – Interactive Session #1

Representatives from National Agencies were not present, with the exception of Treasury.

- PA Madang noted that issues raised in previous forums have not been adequately addressed by National Agencies. They needed to be present to hear grievances and development challenges of Provinces so they can better assist provinces deliver services. It was therefore important to make resolutions and document things effectively so that National Agencies take account of the issues.
- Dickson Guina commented on SDMM in five provinces which address most impediments to service delivery. There would be a shift or change in the way the government does its business. Concerns raised by PA's and district administrations including wards and LLG's would be addressed. Some departments in Waigani may be abolished. SDM Model is with CACC for final review before going to Cabinet for deliberation and approval.
- PA Manus questioned about corporate plans whether or not politicians should be consulted when preparing and implementing corporate plans. Should corporate plans address the issue of politicians and public servants working together?
- PA East Sepik commented that Politicians should not be involved with the Corporate Plan which is a plan that guides how the administrative machinery in the province is supposed to function. There are forums established by a Corporate Plan whereby politicians and public servants can meet to discuss issues of mutual interest.

• Friday 16 October – Interactive Session #2

ICOMMENTS BY DR NAO BADU – CHAIRMAN/CEO NEFC

- NEFC came to listen – not exactly a Peer – rather a first cousin
- NEFC has adopted the approach of listening very carefully and maybe you might learn something
- Papua New Guineans are good at criticizing and saying "it does not work"
- The notion of Peer Review is so important – it is an opportunity to check on how your peers in other provinces are performing
- Funding levels to provincial and district administrations are stagnant while costs of service delivery and populations are increasing
- There is no national plan that all can adhere to. NSP is not a plan, the MTDS is not a plan
- The Development Budget, capital budget, trust funds, supplementary budgets. Huge pile of money outside of our influence – handled by others. In danger of running parallel systems here – Provincial Administrators and flamboyant people promising everything – causing the first group morale issues
- Need to connect the dots of all the inputs