

42 PAPUA NEW GUINEA

INTRODUCTION

PAPUA NEW GUINEA (PNG) is the second largest island country in the world, consisting of the eastern portion of the island of Papua, and more than 500 smaller islands. It is remarkable both for the variety and ruggedness of its terrain, and for the cultural diversity of its population of 6 million, who together speak over 700 languages (more than 10% of the global total). The population growth rate is 2.1% per annum.

In 2006, the country had a gross national income (GNI) of USD 2 410 per capita (in purchasing parity terms), which classes it as a low-income country. There are no recent estimates of dollar-per-day poverty, but national poverty estimates show a rising trend, to 54% in 2005. It is deemed “very unlikely” that PNG will meet any of the globally defined Millennium Development Goal (MDG) targets, but it may “potentially” meet targets tailored to the country context for MDGs 1 to 5. Achievement on HIV/AIDS and environmental sustainability remains very unlikely.

While conflict on the island of Bougainville appears to have been resolved, the country faces many challenges, particularly in the areas of HIV/AIDS, population growth, governance and security, and gender inequalities.

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Implementation of national development strategy	Government to strengthen operation of national administrative structures
Alignment	Moderate	Donor use of country systems; aid disbursements not recorded in government accounts	Government to improve transparency and efficiency of procurement systems in practice; donor-government communication improved
Harmonisation	Low	Low donor use of common arrangements	Donors to undertake more joint missions and develop programme-based approaches (PBAs)
Managing for results	Moderate	Meeting targets to develop results-based management system	Government to ensure performance management framework results feed into decision making
Mutual accountability	Moderate	Mechanism recently agreed but not yet implemented	Implement Kavieng Declaration monitoring process

OVERVIEW

Box 42.1:

Challenges and priority actions

The OECD records that total net aid to PNG in 2006 was USD 279 million. Australia was by far the largest donor, followed by the European Commission, Asian Development Bank (ADB), New Zealand and Japan. Interestingly, eight out of 15 donors responded to the 2008 Survey, representing 97% of aid flows. Aid accounted for 5.5% of GNI in 2006: this is above average for low-income countries, but not for those which are highly aid dependent. Nevertheless, aid constitutes 80% of the development budget, and progress on aid effectiveness will be important for PNG's future.

This is the first time that PNG has taken part in the Paris Declaration survey in 2008. The 2010 targets will be derived from the results of the 2008 Survey for most of the indicators, although for those indicators where data for 2005 exists (Indicators 1, 2a and 11), the 2010 target is based on this information. It should be noted that PNG and its major donors signed a 'localised' version of the Paris Declaration, the Kavieng Declaration on Aid Effectiveness, in February 2008. It contains many aid effectiveness targets – often in line with, or more ambitious than, the Paris Declaration 2010 targets. We will highlight these as well as the 2010 targets throughout this country report.

OWNERSHIP

INDICATOR 1

Do countries have operational development strategies?

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

The World Bank has not produced a rating for PNG's operational development strategy, as it has not prepared a poverty reduction strategy (PRS) or similar interim document. However, the government is currently implementing its second National Development Strategy, the medium-term development strategy" (MTDS), which runs from 2005-10, and a number of sector strategies. The World Bank has dovetailed its Country Assistance Strategy with the MTDS.

Particularly relevant to country ownership targets is the fact that, the Kavieng Declaration committed PNG to conduct a mid-term review of the current MTDS, complete sector investment plans and operationalise its aid co-ordination strategy. It also defines targets, so that by 2010, at least 55.5% of the overall budget will be spent on MTDS priorities. Development of an MTDS beyond 2010 is also envisaged.

The Declaration also contains protocols for donor missions and technical assistance to the country. Overall, the current government seems to be taking steps to exercise leadership of the aid and development agenda, although the lack of information available makes it impossible to judge the effectiveness of these efforts. ■

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

PNG faces substantial challenges with regard to its public financial management (PFM) systems, and to donor use of them. However, most aid is recorded in government budgets, and excellent progress has been made on untying aid. The Kavieng Declaration, with detailed targets in all areas of financial management and donor-government information flows, is an encouraging sign for future progress on alignment.

BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have PFM systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

INDICATOR 2a

How reliable are country public financial management systems?

In 2005, Papua New Guinea PFM systems received a 3.5 rating. This is comparable to the mid range of participating countries in the 2006 Baseline Survey. The 2007 rating remains at 3.5. The global Paris Declaration 2010 target is for half of partner countries to register a half-point increase in the rating they receive for the reliability of their PFM systems. For PNG,, a first-time participant in the 2006 Baseline Survey, a rating of 4.0 would therefore be an appropriate target.

PNG is committed to a number of improvements in budgeting and accounting, including the Kavieng Declaration targets of developing and implementing an Aid Information Management System (AIMS) in 2008. It is also committed to finalising and implementing a medium-term financial strategy (MTFS) and strengthening PFM systems in line with the strategy. The efforts have resulted in the country being awarded an A on 25% of Public Expenditure and Financial Accountability (PEFA) indicators. A national process of Public Sector Reform, aimed at substantial restructuring of public sector management, is also underway. It involves senior government representative, as well as an invited civil society action group to oversee and report on the process.

INDICATOR 2b

How reliable are country procurement systems?

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

Papua New Guinea has not assessed its procurement systems for the 2008 Survey, and no 2010 targets are set.

However, the 2006 World Bank Country Procurement Assessment Report (CPAR) noted that progress had been made on strengthening the legal and organisational framework for public procurement. Amendments to the Public Finances (Management) Act and associated Financial Instructions have clarified procedures; a more centralised system appears to be an improvement on the previous inefficient decentralised arrangements. Progress had also been made in some areas of implementation. Nevertheless, there were still serious issues with transparency and efficiency of public procurement, staffing and capacity, the use of emergency procurement measures (permitting greater discretion in awarding contracts), and political pressures. The World Bank, ADB and the Australian Government Overseas Aid Program (AusAID) are engaged in dialogue with the government and analytical work on PFM under the aegis of the Public Expenditure Review and Rationalisation.

With regard to targets for improvement, the Kavieng Declaration commits the government of PNG to strengthening procurement systems such that each successive CPAR reports an improvement.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

INDICATOR 3

	Government budget estimates of aid flows for 2007 (USD m) a	Aid disbursed by donors for government sector in 2007 (USD m) b	2007*	
			c = a/b	c = b/a
Asian Dev. Bank	40	30		75%
Australia	155	232	67%	
European Commission	12	25	50%	
Global Fund	0	8	0%	
Japan	5	6	87%	
New Zealand	8	7		83%
United Nations	8	12	63%	
World Bank	25	12		48%
Average donor ratio	--	--		59%
Total	254	332		76%

* Ratio is $c=a/b$ except where government budget estimates are greater than disbursements ($c=b/a$).

TABLE 42.1:
Are government budget
estimates comprehensive
and realistic?

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

Papua New Guinea scores reasonably well on Indicator 3, with 76% of aid flows overall recorded in the budget, and on average 59% of each individual donor aid recorded. While the relatively small flows from Japan and New Zealand were close to or exceeded this target, there was a significant discrepancy between actual AusAID disbursements and the amount recorded in the PNG budget –, amounting to USD 76 million. Less than one-half of World Bank aid was recorded in the budget, and the Global Fund contribution was entirely off-budget.

Based on this fact, a target of 85% of flows recorded in the budget is appropriate for 2010. It may be that poor information flows may explain much of the differences. The government and donors have agreed an ambitious target of 100% of aid flows recorded in the budget by 2010 in the Kavieng Declaration.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

INDICATOR 4

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

Table 42.2:
How much technical
co-operation is co-ordinated
with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2007 c = a / b
Asian Dev. Bank	1	1	100%
Australia	24	105	23%
European Commission	0	9	0%
Global Fund	0	0	--
Japan	6	6	100%
New Zealand	4	7	49%
United Nations	1	11	9%
World Bank	0	0	0%
Total	35	138	25%

The 2008 Survey data indicate that just 25% of technical co-operation in PNG was co-ordinated with country programmes. There was a wide range of donor performance, ranging from no co-ordination at all by the European Commission, to 100% by the ADB and Japan. The bulk of technical co-operation was provided by AusAID, of which 23% was co-ordinated with country programmes. These figures indicate a substantial amount of activity outside of government systems, and that a large effort is required if the 2010 target is going to be met.

However, the Government of Papua New Guinea (GoPNG) and donors are working together to improve this situation. The Kavieng Declaration contains a protocol on technical assistance, which specifies that in future technical assistance will be driven by GoPNG demand and will be integrated into broader interventions, with senior government officials involved in management. It will build local capacity and strategic partnerships, and also use cost-effective and local resources as much as possible. The Kavieng Declaration aims to achieve 50% (the Paris Declaration 2010 target) by 2012, rather than 2010. A sub-committee comprising various departments of the GoPNG, AusAID, New Zealand Aid, and the United Nations (UN) was set up to address these issues.

USING COUNTRY SYSTEMS

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

INDICATOR 5

TABLE 42.3:
How much aid for the government sector uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2007 avg (b,c,d) / a	Procurement systems (USD m) e	2007 e / a
		Asian Dev. Bank	30	0	0	0	0%
Australia	232	84	54	7	21%	61	26%
European Commission	25	0	0	0	0%	0	0%
Global Fund	8	--	--	0	--	4	50%
Japan	6	0	0	0	0%	0	0%
New Zealand	7	1	0	0	6%	1	21%
United Nations	12	1	0	0	2%	1	4%
World Bank	12	0	0	12	33%	4	32%
Total	332	86	54	18	16%	71	21%

Table 3 shows that in 2007 only 16% of aid to the government sector in PNG used country PFM systems and 21% used country procurement systems. There appears to be a widespread reluctance from donors to rely on country PFM and procurement systems in their current state.

The Paris Declaration 2010 target for countries with a 3.5 rating for the reliability of their PFM systems (indicator 2a) is a one-third reduction in the percentage of aid to the government sector not using country PFM systems. With this being PNG's first year of participation in the Paris Declaration monitoring process, the formula would suggest a 2010 target of 33% for government sector aid using country PFM systems and 90% of donors using country systems. However, the Kavieng Declaration commits the government to a more ambitious target of at least 50% of the total volume of aid flows channelled through government financial systems by 2012. At present, most development partners channel at least 30% of their aid through government financial systems.

Whilst no 2010 target is set for the use of country procurement systems, the Kavieng Declaration sets a target that at least 60% of the total volume of aid flows will be channelled through government procurement systems by 2012. It also aims to have a majority of donors channel at least 30% of their aid through government procurement systems.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

INDICATOR 6

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be “parallel” when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

TABLE 42.4:
How many PIUs are parallel
to country structures?

	2007 (units)
Asian Dev. Bank	0
Australia	15
European Commission	0
Global Fund	0
Japan	0
New Zealand	1
United Nations	15
World Bank	5
Total	36

In 2007, donors reported 36 parallel PIUs in operation in PNG. Australia and the UN accounted for most of these; encouragingly, half the donors who responded to the 2008 Survey reported no parallel PIUs.

It is not surprising that Australia should have more PIUs than most donors, as their aid programme is so much larger. In fact, compared to other donors, Australia maintains a relatively low number of PIUs in relation to the total volume of aid. It is

more surprising that the UN and World Bank, with much smaller country programmes, should operate several PIUs. The World Bank notes problems with the recruitment of staff to integrated PIUs because of lower pay scales. Other donor experiences may also be useful to share.

The Paris Declaration 2010 target is to reduce the stock of parallel PIUs by two-thirds. For PNG, an appropriate target for the three years to 2010 would be to reduce the stock of parallel PIUs to 22. This would also be consistent with the Kavieng Declaration target of reducing the parallel PIU stock by 50% - *i.e.* to 18 - by 2012, and to avoid as far as possible the creation of any new PIUs.

PROVIDING MORE PREDICTABLE AID

INDICATOR 7

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

TABLE 42.5:
Are disbursements
on schedule and recorded
by government?

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2007*	
				c = a / b	c = b / a
Asian Dev. Bank	40	27	30		68%
Australia	0	261	232	0%	
European Commission	0	--	25	--	
Global Fund	0	12	8	0%	
Japan	0	6	6	0%	
New Zealand	0	7	7	0%	
United Nations	0	14	12	0%	
World Bank	25	13	12		51%
Average donor ratio	--	--	--	17%	
Total	65	340	332	19%	

* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

Under Indicator 3, the authors noted that a substantial proportion of disbursements recorded by donors are included in the PNG budget. However, Table 5 shows that only 19% is actually recorded in government accounts. Only two donor disbursements were recorded – those of the Asian Development Bank and the World Bank – and, in both cases, the government recorded receiving more than half as much again as the donors reported disbursing. It is particularly of concern that Australia's USD 232 million worth of aid appears not to have been recorded.

The government is taking steps to improve this situation, and is already in the process of establishing an Aid Information Management System (AIMS) to record all grant aid flows in a fiscal year for purposes of accounting and reporting. With funding support from United Nations Development Programme, the government is currently working towards establishing an AIMS that will be based on the Development Assistance Database. The World Bank notes that it provides disbursement projects on request to the PNG Ministry of Finance (approximately every two years), and that individual project teams discuss scheduling in more detail with relevant departments.

The Kavieng Declaration commits the government to having the AIMS in place and used by donors in 2008; and commits 100% of donors to submit to the government, by 2012:

- Budget estimates, by 7th August each year;
- Three-year expenditure forecasts, by 1st May each year;
- Annual expenditure outcomes for previous year, by 1st May each year.

The Paris Declaration 2005 target was for countries and donors to halve the proportion of unrecorded aid. With just three years to go, an appropriate 2010 target for PNG would be a 30% reduction, *i.e.* to achieve 43% of scheduled aid disbursements recorded in government accounts by 2010.

Aid actually disbursed by donors for the government sector was close to that scheduled. Australia recorded the largest discrepancy in dollars, but still disbursed 89% of scheduled aid (the Global Fund disbursed only 67% of scheduled aid, but this relates to a much smaller total sum).

UNTYING AID

INDICATOR 8

How much aid is untied?

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country’s capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

According to the country report, 100% of bi-lateral aid provided to PNG by members of the OECD-DAC was untied in 2006 – a substantial increase on the figure of 71% for the previous year. The Paris Declaration 2010 target is for continued progress with untying. Clearly, in the case of PNG, the target should be to maintain this excellent record. ■

HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

In Papua New Guinea, there is substantial co-ordination of analytical work between donors, with the 2010 target currently being exceeded. There is also some donor co-ordination as regards aid to different sectors. However, there are challenges remaining for all in using PBAs and in co-ordinating donor missions, particularly for the European Commission, the World Bank and Australia. The Kavieng Declaration contains additional targets in harmonising project management procedures, reducing duplication and the burden of donor missions, and conducting analytical work.

USING COMMON ARRANGEMENTS

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

	Programme based approaches (PBAs)			Total aid disbursed (USD m)	2007 e = c / d
	Budget support (USD m)	Other PBAs (USD m)	Total (USD m)		
	a	b	c = a + b		
Asian Dev. Bank	28	2	30	30	100%
Australia	83	26	109	260	42%
European Commission	0	0	0	25	0%
Global Fund	0	8	8	8	100%
Japan	0	3	3	6	46%
New Zealand	0	0	0	12	2%
United Nations	0	5	5	16	31%
World Bank	0	0	0	12	0%
Total	111	45	155	369	42%

INDICATOR 9

TABLE 42.6:
How much aid is
programme based?

Data for 2007 show that 42% of aid to PNG is programme based, of which 72% was budget support. Budget support was entirely provided by Australia and the ADB; others contributed small amounts to the total of PBA aid. The European Commission and World Bank were the only donors to avoid using PBAs. The World Bank reports that it is not currently taking actions to harmonise approaches or pool funds with other donors in PNG. The government notes that development partners are co-ordinating leadership at sector level, based on their comparative advantage.

The Paris Declaration 2010 target is for 66% of aid flows to be provided in the context of PBAs. The Kavieng Declaration commits the government and donors to agreeing on common project management tools to be used throughout the project/programme cycle (in planning, design, implementation, reporting etc.) and for 50% of donors to be using these by 2012. It also sets out a timeframe for initial steps in co-ordinating sector-wide approaches (SWAPs) in health, education and transport.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

INDICATOR 10a

In 2007, 28% of a total of 136 donor missions to PNG were conducted jointly. The Paris Declaration 2010 target is that 40% of donor missions are conducted jointly. While PNG is clearly close to this target, there is considerable variation between different donors. Australia is responsible for the largest number of sole missions, and the World Bank co-ordinated only 8% of its 24 missions. The European Commission conducted no joint missions at all. The World Bank and the European Commission should aim to improve their co-ordination with other donor missions for 2010; and Australia could also improve its score.

TABLE 42.7:
How many donor missions
are co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2007 c = a / b
Asian Dev. Bank	23	23	100%
Australia	10	43	23%
European Commission	0	18	0%
Global Fund	0	2	0%
Japan	0	0	--
New Zealand	1	3	33%
United Nations	14	23	61%
World Bank	2	24	8%
Total	38	136	28%

* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

Data for 2007 show that an encouraging 59% of country analytical work is co-ordinated amongst donors, indicating high levels of joint working and information sharing. In fact, PNG currently exceeds the 2010 target of 66%. Here again, Australia could improve its co-ordination of country analysis by 2010, but it is still highly probable that the 2010 target will be met. Other areas worthy of investigation might be whether the analysis feeds into the MTDS and government decision making, and whether there is adequate coverage of different thematic areas. ■

INDICATOR 10b

	Co-ordinated donor analytical work* (analyses)	Total donor analytical work (analyses)	2007
	a	b	c = a / b
Asian Dev. Bank	4	4	100%
Australia	0	4	0%
European Commission	0	0	--
Global Fund	1	1	100%
Japan	0	0	--
New Zealand	0	1	0%
United Nations	16	16	100%
World Bank	2	3	67%
Total	17	29	59%

* The total of co-ordinated analytical work has been adjusted to avoid double-counting. A discount factor of 25% is applied.

TABLE 42.8:
How much country analysis is co-ordinated?

MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent, results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

INDICATOR 11
Do countries have results-based monitoring frameworks?

As no ratings have been given for PNG, it is not possible to assess progress or set targets under the Paris monitoring process formula. However, it is interesting to note that the Kavieng Declaration sets a 2012 target for the GoPNG to have established a performance management framework (PMF) to assess progress on the medium-term development strategy, with annual reports being published and joint annual reviews on aid programmes undertaken. This certainly responds to two of the three elements of results-based monitoring frameworks and to improving the statistical capacity or administrative reporting on results. Whether the third element, information and performance feeding back into decision making at national or sectoral levels, is achieved will have to be assessed once implementation of the PMF and its reviewing and reporting processes is underway. ■

MUTUAL ACCOUNTABILITY

INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

The Kavieng Declaration includes a commitment to the publication of annual mutual assessments of progress against the its targets, with government and donors responding within three months to assessment questions. The government also repeatedly states that it considers non-governmental organisations (NGOs) and faith-based organisations (FBOs) as key partners in implementing the Kavieng Declaration. It is therefore possible that PNG will meet the Paris Declaration 2010 target through the Kavieng process, if it is consistently implemented. ■

PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

THE OVERALL PICTURE FOR PAPUA NEW GUINEA IS MIXED, with some encouraging indicators and others where substantial progress is required. Perhaps the most important recent development has been the signing of the Kavieng Declaration on Aid Effectiveness. In the spirit of ownership, alignment, harmonisation, results and mutual accountability, this Declaration commits the government and donors to a detailed list of locally agreed targets, which in several cases are more ambitious than the Paris targets. ■

INDICATORS		2007	2010 TARGET
1	Operational development strategies	N/A	N/A
2a	Reliable public financial management (PFM) systems	3,5	4,0
2b	Reliable procurement systems	Not available	Not applicable
3	Aid flows are aligned on national priorities	76%	85%
4	Strengthen capacity by co-ordinated support	25%	50%
5a	Use of country PFM systems	16%	33%
5b	Use of country procurement systems	21%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	36	18
7	Aid is more predictable	19%	43%
8	Aid is untied	100%	100%
9	Use of common arrangements or procedures	42%	66%
10a	Joint missions	28%	40%
10b	Joint country analytical work	59%	66%
11	Results-based monitoring frameworks	N/A	N/A
12	Mutual accountability	Yes	Yes

SUMMARY
TABLE 42.9

CONTRIBUTORS

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ACRONYMS

ADB	Asian Development Bank
AIMS	Aid Information Management System
AusAID	Australian Government Overseas Aid Program
CPAR	Country Procurement Assessment Report (World Bank)
FBOs	faith-based organisations
GNI	gross national income
GoPNG	Government of Papua New Guinea
MDG	Millennium Development Goal
MTDS	medium-term development strategy”
MTFS	medium-term financial strategy
NGOs	non-governmental organisations
ODA	official development assistance
OECD-DAC	Development Assistance Committee (OECD)
PBA	programme-based approach
PEFA	public expenditure and financial accountability
PMF	performance management framework
PFM	public financial management
PIU	project implementation unit
PNG	Papua New Guinea
UNDP	United Nations Development Programme
UN	United Nations
USD	United States dollars