This report summarises the aid program’s progress in 2011 in Papua New Guinea.

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Papua New Guinea context

Development context

The most pressing development challenge for Papua New Guinea continues to be its ability to translate the economy’s narrowly based growth into improved living standards for all Papua New Guineans. While the country has experienced high levels of economic growth over the last decade, this has not translated into equitable allocation of resources, nor commensurate service delivery and development outcomes for communities across the country. Papua New Guinea is off track against all of the Millennium Development Goals (MDGs), and its health and education indicators are the worst in the Pacific. Life expectancy at birth has increased from 56 years in 1992 to 62 years in 2010. However, in 2011 Papua New Guinea was ranked 153 out of 187 countries on the Human Development Index, placing it well below the East Asia and Pacific regional average. Of particular concern is the slowing of Papua New Guinea’s Human Development Index growth over the past 15 years, with the country now trending on the same path as low human development.

Income poverty in Papua New Guinea is difficult to measure, and there are conflicting sources of information. A recent MDG tracking report placed the proportion of Papua New Guineans living below the Basic Needs Poverty Line at an estimated 28 per cent in 2009, down from 30 per cent in 1996. This compares with the World Bank’s National Household Survey of 1996, which estimated that overall 37.5 per cent of Papua New Guineans lived in poverty. Rural poverty was estimated to be almost double that of urban areas (41.3 per cent compared to 16.1 per cent), with extreme poverty in rural areas estimated at 18 per cent. A National Household Income and Expenditure Survey was undertaken in 2011 and will shortly provide an up-to-date estimate of poverty levels throughout Papua New Guinea. While poverty is not solely a rural-urban issue—there is a pronounced variation of poverty throughout the country—there is a pronounced variation of poverty throughout the country—isolation, low levels of cash incomes and poor access to services and markets continue to be characteristics of poor areas.

The same critical development constraints that Papua New Guinea has been facing for many years persist: weaknesses in governance and institutions, poor infrastructure and infrastructure services, shortages of skilled human capital, poor and unequal access to affordable and quality education, and lack of and unequal access to

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3 The Human Development Index provides a composite measure of three basic dimensions of human development: health, education and income.
5 See Annex A.
8 ‘Poverty in Rural Papua New Guinea’ Presentation at ANU (3 July 2008) by Mike Bourke & Bryant Allen, Department of Human Geography, Australian National University; Bourke & Allen’s calculation based on PNG rural development handbook, (2001), Hanson et al.
affordable and quality health services. Papua New Guinea also continues to face significant law and order problems.

Some international indicators measuring governance have improved between 2005 and 2011. For example, the country’s percentile ranking according to the World Bank’s Voice and Accountability indicator has increased from 46 to 51, however the corruption perceptions index, produced by Transparency International, places Papua New Guinea at 154 out of 183 countries. In addition, Papua New Guinea remains a high cost environment to do business in, with both political and social risks such as crime adding to these costs.

Papua New Guinea continues to perform poorly in terms of gender indicators, and there are signs gender equality is going backwards relative to other countries. The country currently ranks 153 out of 187 on the United Nations Gender Inequality Index, down from its ranking of 145 in 2010. The United Nations Special Rapporteur on violence against women notes that the status of women remains low and attributes this as the major cause of violence against women. Papua New Guinea is off track in its progress against all gender-related MDG indicators. Its maternal mortality rates and family and sexual violence rates are amongst the worst in the world, and are likely to be worsening rather than improving. A proposed Bill to enable reserved seats in parliament for women did not garner enough votes to pass in February 2012, despite expectations stated in Papua New Guinea’s Vision 2050. In 2011 Papua New Guinea was ranked 136 out of 144 countries for women’s representation in parliament.

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11 This indicator measures perceptions on the extent to which a country’s citizens are able to participate in selecting their government, have freedom of expression, freedom of association and a free media, 2010 World Governance Indicators, http://info.worldbank.org/governance/wgi/sc_chart.asp
12 Corruption Perceptions Index 2011
Major shifts in Papua New Guinea in 2011 impacting Australian aid program strategies

Economy

During 2011 Papua New Guinea’s economy continued on its near decade long path of growth. Gross Domestic Product (GDP) was estimated to reach 9 per cent in 2011. Four main factors underlie the strength of the economy: investment in future mining and petroleum projects, driven by historically high commodity prices, record prices for agricultural exports, supportive agricultural conditions and strong government spending. However the economy remains dualistic with much of this growth limited to the formal sectors and those benefiting from strong government expenditure.

On a positive note, real per capita incomes are increasing and employment in the formal sector across all industries was at record levels in 2011. Industries linked to the construction boom (road, air and sea transport, storage and communications) have grown on average by 20 per cent. Papua New Guinea’s economy is experiencing a significant structural shift with indications that even after the current liquefied natural gas (LNG) project construction phase, growth could continue. The current expansion is driving growth in consumer demand for goods and services. There are also promising signs that local construction firms are starting to bid for business outside of Papua New Guinea, which is good for foreign reserves, employment and skills acquisition.

On a less positive note, a number of factors that detract from Papua New Guinea’s economic success story were evident in 2011:

- Commodity prices for many of the country’s export goods have increased, including some key agriculture products such as coffee and palm oil. However, the appreciation of the Papua New Guinea Kina against the US dollar has meant that growth in real incomes in the agricultural (cash crop) sector has been limited. This appreciation of the Kina also had a negative impact on government revenue from mining and petroleum projects, partly offset by the rise in commodity prices.

- Production in the mining and petroleum sector continued to decline, with existing projects reaching maturity prior to the commissioning of new or expanded projects. This is most evident with the decline in oil production through 2011 and disruptions at the Ok Tedi mine (which makes up 15 per cent of total government revenues).

- Also of concern is the 10 per cent rise in the urban consumer price index which signals that much of the per capita income growth is being absorbed by higher prices. Employees are now expecting prices to continue to increase

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16 The World Bank (2012), World Development Indicators, Papua New Guinea data
which will in turn lead to demands for higher wages, putting further pressure on inflation.

- A reversal in commodity prices could see a number of the planned resource projects not reaching final approval. Many projects are only viable at current prices.

After 10 years of average annual revenue growth of over 14 per cent, Papua New Guinea is faced with a period of lower revenue growth before an LNG-led expansion to revenues and GDP\(^\text{19}\) and budget deficits forecast for the next 2 to 3 years. In this context, large increases in Papua New Guinea government funding for the priority areas under the Australia–PNG Partnership for Development are not anticipated. The focus will be on improving allocations within priority sectors and the quality of implementation of those allocations.

**Politics**

2011 was the time for the government to set the path for improving governance that would enable the country to achieve the ambitious goals laid out in its development plans. However, political instability throughout 2011 highlighted the fragility of gains made in this area.

The political instability had an impact on key government business, such as legislation to support increased parliamentary participation by women, which failed to pass in 2011. The 2012 national budget was delayed by one month, passing on 21 December 2011. The fluidity of the political and bureaucratic environment affected the ability of many of sectors to improve performance and deliver expected results. A number of leadership changes derailed some gains made by Australia’s aid program, but also opened up new opportunities. The government launched a set of well-resourced investigations into allegations of public sector corruption under ‘Task Force Sweep’, including investigations at the National Health and Planning Departments, which resulted in over 20 charges laid.

In 2011 Papua New Guinea asked Australia to procure and distribute medical supply kits, to individual health facilities.\(^\text{20}\) In early 2012 agreement was reached, in principle, with the Health and HIV Minister to establish an independent health procurement authority.

Expectations around the windfall revenues related to increased growth have been growing across Papua New Guinea. The incoming government following the 2012 national elections will have the longstanding challenge of translating growth in government revenues into benefits for all Papua New Guineans in an environment where expectations of those benefits has increased. The perception that the LNG project will result in a financial boom has raised the level of competition among would-be political candidates (3435 candidates, of which 135 are women, are competing for 111 seats in parliament\(^\text{21}\)). A number of senior bureaucrats vacated

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\(^{19}\) LNG related revenues will come in two stages: dividend payments will commence in 2014, followed by increases in tax revenue from approximately 2022.

\(^{20}\) This is an important policy change from the previous system, which often used ‘emergency procurements’ under 300 000 Kina to buy supplies at up to five times the scheduled price. These supplies were not quality assured, and delivery was only to area medical stores and provincial transit stores, thereby relying on provinces to have financing and logistical capacity to get kits to all facilities.

\(^{21}\) 89 open seats and 22 governor seats.
their positions to contest the election, including two high-performing provincial administrators, which saw some disruption to reform momentum. Following the constitutional and legal turmoil of 2011 and 2012, the country’s key institutions are perceived to have weakened, and the rule of law undermined. International donors and the incoming government will need to be mindful of the need to restore these.

Service delivery

With a geographically diverse terrain, poor transport and communication infrastructure limiting access to many, though not all, of the country’s 21 provinces, one autonomous region, 89 districts, 313 local level governments and 6131 wards, the challenges to policy makers and service delivery agencies to address people’s needs, particularly those of vulnerable groups, are substantial. Limited public sector capacity to deliver services and poorly functioning systems of government at all levels has meant service delivery in Papua New Guinea depends heavily on donors, volunteers and the churches. However, the country lacks a critical mass of organised non-state actors from grassroots to national levels, that are able to influence political incentives and the institutional framework or rules determining who can participate in public decision-making and how. In the short to medium-term, greater citizen participation in decision-making will make resource allocation and service delivery more efficient and equitable.

While there are scattered success stories, many provincial service delivery systems are weakened by a lack of coordination between national bureaucracies and lower levels of government, in particular in relation to local spending decisions. There is a lack of critical mass at the political and senior bureaucratic levels to commit to making systems work. It is easier for politicians to go around the government systems to hand out funds directly. It is notable that the bulk of revenue increases since 2002 have been controlled through national agencies, with provinces receiving little increases in the money they control, despite having responsibilities for managing and implementing basic services and infrastructure. Faced with their own challenges, Treasury and Finance again delayed the release of essential funds to the provinces in 2011 affecting the ability of those provinces to effectively deliver basic services.

The O’Neill-Namah government made well-publicised efforts to pursue high profile individuals alleged to have been corrupt. However, with the exception of corruption investigations under Task Force Sweep, a commitment to tackle widespread corruption and misuse of government systems and processes has yet to eventuate.

Program objectives and strategy

Framework for the Australian aid program

Australia’s aid program in Papua New Guinea is implemented under the PNG–Australia Partnership for Development, signed in 2009. The Australia–PNG Ministerial Forum, held in October 2011, endorsed the response to the 2010 Development Cooperation Treaty review, which called for consolidation of the sectoral focus of the aid program. New partnership schedules were signed at the ministerial forum to reflect the joint commitment to the following four priority areas, where Australia has particular strengths and is likely to achieve the greatest impact:
• education, including higher education
• health and HIV/AIDS
• transport infrastructure with a focus on roads maintenance
• law and justice.

Other program areas, such as democratic governance and public sector governance, became more focused on supporting these key service delivery areas. Also in response to the review, the aid program is phasing out its direct engagement in the rural development and agriculture sectors. Future Australian assistance in these areas will be limited to the Australian Centre for International Agricultural Research’s program of support in Papua New Guinea.

Following a review of the Governance and Implementation Fund, which provides support to the Autonomous Region of Bougainville, Australia and New Zealand are working with the Autonomous Bougainville Government to refocus assistance to build public service capacity to meet current and future challenges posed by autonomy.

The aid program in Papua New Guinea also responded to the 2010 PNG–Australia Review of Technical Assistance, continuing the commitment to the effective use of advisers. The goal of reducing adviser numbers by one third by 2013 is on track, with total number of advisers reduced from 487 to 338 in 2011.

Because of these consolidation efforts, the priority areas under the partnership remain highly relevant. Adjustments made to the schedules in 2011 are showing early indications of solid achievements and improved results in the immediate delivery of services. Refinement of targets and indicators for some sectors is required to more effectively measure and understand Australia’s contribution to Papua New Guinea’s development outcomes.

In early 2012, Australia and Papua New Guinea signed a statement on zero tolerance of fraud in the aid program to ensure Australia’s aid is programmed, managed and delivered transparently and effectively. Australia has agreed to use Papua New Guinea government systems and procedures where they are suitably robust and where there is a demonstrated development benefit.

Expenditure

In 2011, AusAID country program aid to Papua New Guinea totalled A$457.8 million. Other Australian assistance through AusAID’s regional and global programs and through other Australian government departments brought total Official Development Assistance (ODA) to an estimated A$494.6 million in 2011.

<table>
<thead>
<tr>
<th>Objective</th>
<th>A$ million</th>
<th>% of bilateral program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership for development: priority outcomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Significant, measurable progress towards the achievement of universal basic education by 2015</td>
<td>74.7</td>
<td>16</td>
</tr>
<tr>
<td>2. Improved health and HIV outcomes</td>
<td>116.2</td>
<td>25</td>
</tr>
</tbody>
</table>
Objective | A$ million | % of bilateral program
---|---|---
3. Key national roads, ports and airports providing access to markets and services | 67 | 15
4. Improved ability to provide law and justice services | 30 | 7
**Partnership for development: enabling factors**
5. Effective and sustainable public sector service delivery mechanisms | 77.4 | 17
6. Strengthened democracy | 20.5 | 4
7. Increased workforce skills | 14 | 3
8. Safe and resilient communities in high-risk provinces | 13 | 3
Cross-sectoral/other | 45 | 10
**Total** | 457.8 | ---

Australia is the largest donor to Papua New Guinea representing 78.5 per cent of total ODA in 2011. Australia collaborates with the Asian Development Bank and the World Bank, particularly in the transport sector. The United Nations is an overall strategic partner especially in gender equality, elections support, Bougainville, and the health sector through the World Health Organization. Australia also holds regular dialogue with main the bilateral donors—Japan, New Zealand and the United States. New Zealand and Australia have a shared program in Bougainville, the Governance Implementation Fund.

**Progress against objectives**

Table 2: Ratings of the program’s progress towards the objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Current Rating</th>
<th>Rating in 2010</th>
<th>Rating in 2009</th>
</tr>
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<tbody>
<tr>
<td><strong>Partnership for development: priority outcomes</strong></td>
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<tr>
<td>1. Significant, measurable progress towards the achievement of universal basic education by 2015</td>
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<td><strong>Partnership for development: enabling factors</strong></td>
<td></td>
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<tr>
<td>5. Effective and sustainable public sector service delivery mechanisms</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>6. Strengthened democracy</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
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<tr>
<td>7. Increased workforce skills</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
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<tr>
<td>8. Safe and resilient communities in high-risk provinces</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td><strong>Cross-cutting issues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Gender equality and women’s empowerment</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>10. Disability-inclusive development</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Note:
- The objective will be fully achieved within the timeframe of the Australia-PNG Partnership for Development.
- The objective will be partly achieved within the timeframe of the Australia-PNG Partnership for Development.
- The objective is unlikely to be achieved within the timeframe of the Australia-PNG Partnership for Development.
The achievement of key results under the partnership is supported by reform agendas, a commitment to working through Papua New Guinea government systems and a budget engagement strategy.

Reform agendas

Over 2011–2015, Australia’s objective is to catalyse improvements in service delivery while supporting Papua New Guinea to address obstacles of an institutional or systematic nature which reduce the impact of services in communities. Early indications are this approach is gaining traction, with discernible results across all programs. However, the extent to which these results influence the transformational change required to fully achieve the agreed development objectives with Papua New Guinea varies across the sectors. The success of any reform is contingent on political will. The aid program therefore engages strategically, and with a degree of flexibility, with Papua New Guinea counterparts to respond to emerging opportunities for reform. Australia’s support to the health sector is assisting Papua New Guinea implement promising reforms. Removing some of the largest medical supply procurement and distribution functions from the National Department of Health in the short-term, and ensuring a regular uninterrupted supply to health facilities, is part of the long-term solution to breaking the culture of corruption that saw Papua New Guinea without the regular and appropriate supply of drugs necessary to support health service delivery for several years. For the most part, however, successes at the agency level are in the form of isolated change in areas such as procurement reforms in the transport and education sectors.22 These reforms, though adding to effectiveness and efficiencies in service delivery in the short term, are tenuous and demand regular policy engagement and monitoring to remain on track. Australia’s aid program is subject to the risk of stalling if key personnel change roles.

Working through Papua New Guinea government systems

Australia’s use of Papua New Guinea government systems to deliver the aid program varies across the sectors. Decisions on use of country systems are dependent on comprehensive assessments which determine whether a particular financial or procurement system can be used to effectively deliver aid while managing fiduciary risks. The assessments also identify ways to further strengthen systems. In 2011 various government systems were partly used to deliver aid program results. For example, $11.5 million was channelled through the Department of Education’s finance system to support school subsidies. The Department of Works procurement system was used to select and enter into PGK85.5 million (approximately A$43 million) worth of Australian-funded road maintenance contracts. Department systems are also used to monitor and ensure effective implementation of these contracts. A range of checks and balances are in place to manage fiduciary risks when using government systems.23 The results of efforts to improve these systems are reported on under the relevant objectives below.

Budget engagement

22 In the transport sector, Australia’s support focuses on agency controlled areas such as developing a road maintenance project pipeline based on rolling five year plans, improving tendering and bid evaluation processes, and improving project management and supervision. These are critical to improving effectiveness in the sector. In the education sector, changes to bulk procurements are leading to savings for the Department of Education, and important changes to infrastructure selection processes were completed in 2011.

23 For example, the education program employs an independent accounting firm to oversee use of Department of Education financial systems, and the transport program issues a letter of no objection as part of the procurement process.
Papua New Guinea’s 2012 national budget appropriations for the four priority areas were more credible as a result of Australia’s efforts in 2011. To ensure the partnership priorities were understood and funds allocated accordingly, Australia implemented an engagement strategy which consisted of identifying key programs – and required funding – in Papua New Guinea’s national budget that are critical to achieving partnership objectives, engaging with Papua New Guinea counterparts in relevant line and central agencies on the importance of meeting these commitments, high-level engagement, and promoting key areas of reform through Australia’s Performance Linked Aid initiative. Through the engagement process, weaknesses were identified with a number of budget submissions which were then rectified. For example, the medical supplies vote, which was over twice the 2011 appropriation, was reduced in a revised submission from the National Department of Health. Overall, Papua New Guinea’s 2012 national budget met the funding commitments agreed under the partnership priorities.

Objective 1: Significant, measurable progress towards the achievement of universal basic education by 2015

In 2011 the Government of Papua New Guinea implemented important reforms to the education system including the introduction of tuition fee-free education and abolishing outcomes-based curriculum. The operational impacts of these shifts were immediately felt across the entire education sector, and challenges will remain for the next three to five years, which is the time anticipated for curriculum reform to be completed. Although some operational efficiencies are resulting from the tuition fee-free education policy shift (for example, electronic rather than cheque transfer of funds) there will need to be careful implementation to avoid the international trend of a reduction in the actual resource envelope for schools. Additional teachers, infrastructure and resource materials will also be required as enrolments are expected to increase. The pupil to teacher ratio (currently 32.5) will be closely monitored for any indication of increased capacity issues in the school system. Through the budget engagement strategy, Australia will help Papua New Guinea address the financial sustainability of this new policy direction.

While it is currently not possible to judge the exact increase of net enrolments for basic education, there is sufficient evidence (an additional 29,681 children enrolled in basic education in 2011, compared to 2010) to be confident that overall numbers are increasing.

However increases in access have not been matched by improvements in quality and this continues to be a major concern. Participation in the World Bank Early Grade Reading Assessment and the Pacific Benchmarking for Education Results program, and development of an improved national qualification framework to be used for institutional assessments of accredited post-secondary institutions, represent a robust approach in light of current data collection and analysis issues. Preliminary results from the 2011 Early Grade Reading Assessment pilot indicate that students struggle
to consolidate automatic word-level reading skills which prevent them from reading fluently for comprehension. Only 8 per cent of sample students in the last year of elementary school can be considered readers by elementary level standards.

The focus on increasing access and improving quality remains crucial. Australia’s aid program delivered several results in 2011 that see it well positioned to help the government meet its universal basic education objectives by 2015. These include:

- Supporting 535,439 elementary school children across 5,454 schools to receive tuition fee free education as a result of Australia’s A$11.5 million contribution to the school subsidies program. This contribution also leveraged a substantial increase (K144.3 million to K172 million) in Papua New Guinea’s own funding for tuition fee-free education. Australia and the Department of Education embarked on a reform agenda for the subsidy program in 2011 including identifying risks to implementing tuition fee-free education. Provision of school subsidies, coupled with ongoing dialogue and funding for the reform agenda, will form a key part of Australia’s support in 2012 to remove a significant barrier to accessing education, especially in rural areas.

- Distributing 1.5 million textbooks including 900,000 primary textbooks which were delivered to all 3,300 registered primary and community schools, and 600,000 core secondary textbooks which were delivered to all 204 secondary schools and seven national high schools. In addition, each of the seven national high schools received large science kits. These books were selected by the Department of Education and represent a major achievement in getting necessary resources to schools. Australia’s distribution of textbooks complements the 2.7 million textbooks distributed by the European Commission. The provision of textbooks is a significant and necessary precursor to improved learning outcomes in Papua New Guinea. International evidence indicates that access to learning materials can contribute more to improved learning outcomes than trained and qualified teachers. 26 Australia will provide a further 2.8 million textbooks by 2015.

- Australia’s support to education management changes resulted in a savings of K300,000 (A$150,000) from the first bulk procurement of office paper. This is an important result in itself, but is also indicative of the reforms that are possible to key procurement processes within the Department of Education.

In 2011 the bulk of Australian support to the education sector was targeted at basic education. However, a renewed momentum in Australia’s engagement on an effective response to the Garnaut-Namaliu PNG Universities Review was generated following the Australia–PNG Ministerial Forum held in October 2011. The review paves the way to commence a broad agenda for reform over 10 years to improve funding mechanisms, institutional quality, institutional governance, accreditation and enrolment practices, and research and cooperation with overseas institutions.

Gender equality

The lack of progress in gender parity across the entire education sector remains a major concern. The gender parity ratio of girls to boys at the basic education level increased marginally from 0.91 in 2009 to 0.93 in 2010. Chronic disparities in access and completion persist and widen through the education cycle. The gender parity ratio of girls to boys for secondary education (up to Grade 12) is only 0.90. While gender disparities at post-secondary levels have narrowed over the last decade, males still represented two thirds of enrolments at universities in 2011 (61.7 per cent compared with 38.3 per cent for females). Areas of study at universities are also highly gendered leading to gendered employment patterns in the formal sector with associated salary and poverty reduction implications.

Similarly the technical and vocational education and training subsector remains largely a male domain with estimates that only 25 to 30 per cent of enrolments are women. This proportion has not increased over time. Gender segregation in courses is marked. Males monopolise technical and trades training, while female enrolment is concentrated in areas such as hospitality and home economics or domestic science. Without the enforcement of equal employment provisions and broader training opportunities available to women, this existing gender bias is likely to continue.

Gender disaggregated data is regularly collected by the Department of Education and the Office of Higher Education, however there does not appear to be a commensurate focus on coordinating and appropriately resourcing gender equity strategies in the education sector. Women are under-represented as employees in the department and the education sector more broadly.27

During 2011 Australia funded and facilitated the development of an education chapter for Papua New Guinea’s first ever country gender assessment, which resulted in gender-related education issues receiving exposure through various consultations, validation workshops and active involvement of officials from the Department of Education and the Office of Higher Education.

Disability-inclusive development

Australia’s support has resulted in modifications to the Department of Education and Department of Works standard approved classroom design to meet international best practice for disability access as well as light requirements for people with vision impairment.

Objective 2: Improved health and HIV/AIDS outcomes28

There was significant and mostly constructive change within the health sector during the year. Changes in leadership resulted in the investigation of alleged corruption, which led to members of the Department of Health being charged. Sector governance and coordination also improved, with the implementation of the Health Sector Partnership Committee. While still in its infancy, the committee met twice in 2011 and focused on priority strategic issues for the health sector, including human

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27 In 2011, there was only one woman at assistant secretary level in the Department of Education. Increases in female teachers over the last 10 years have been modest overall, from 44 per cent of primary teachers in 2000 to 46 per cent in 2010, and 34 per cent at lower secondary in 2000 to 38 per cent in 2010. There are no females represented at the highest teaching levels. Data for the teacher-training sector show that females represented only 32 per cent of lecturers in teacher training colleges and there were no females at the principal level.

28 In 2011, Australia’s contribution to the overall health (including HIV) sector budget was estimated at 16.3 per cent.
resources and medical supply reform, the roll-out of provincial health authorities and the development of a multi-year expenditure framework. Promisingly, Papua New Guinea’s government has also strengthened its approach to monitoring and evaluation in the health sector by developing a comprehensive plan to measure performance against the national health plan, and reinvigorating an independent annual sector review group to assess health service delivery performance from mid-2012. Australian support to these endeavours in 2011 comprised technical support to the national monitoring and evaluation working group, and using drug distribution to create up-to-date ‘geo-mapping’ data.

The goal of Australia’s aid is to support Papua New Guinean partners to improve health service delivery by tackling the most significant constraints in the health system, such as lack of funding available at front-line facilities, an insufficient and ageing workforce, regular stock outs in medical supplies and dilapidated infrastructure. Aside from tackling country-wide reforms, efforts are focused on four priority provinces and the Autonomous Region of Bougainville where additional support based on local priorities can make a difference. In directly supporting recurrent functions, such as health works and training institutions, financing, medical supplies and infrastructure, Australia’s budget engagement strategy and high-level policy dialogue is sensitive to the recurrent cost implications.

Although performance against current health targets remains low (as measured by 2010 data) the following results from Australian assistance in 2011 will likely lead to significant progress towards the 2015 targets:

- Maternal health: Australia supported the deployment of eight clinical midwifery facilitators at all four midwifery schools in 2011 which directly contributed to the graduation of 49 midwifery students, compared to 2010 where there was no intake. This accounts for one-quarter of midwives as only 152 midwives are practising in Papua New Guinea. In addition, 2011 saw the scoping work completed for rehabilitation of the four existing midwifery schools and the construction of a fifth school which will significantly expand available capacity to train midwives in quality conditions.

- Child health: In 2011, Australia’s aid resulted in 171 372 children receiving measles vaccinations (41 603 delivered through Papua New Guinea’s routine immunisation system and 129 769 delivered through supplementary immunisation activities). Australia contributed more than 183 million kina (16.3 per cent) of the health budget which translated to 21 600 children receiving pentavalent vaccinations out of the 92 571 children vaccinated nationwide.

- Health workforce: in addition to the 49 midwifery graduates mentioned above, Australia contributed to increasing the health workforce by training 318 rural health facility managers (168 male, 150 female) in all 20 provinces, training 47 undergraduate doctors, 16 specialist doctors, 72 specialist nurses, 14 diplomas and one masters in public health. Rehabilitation plans have also been completed to double the training capacity\(^29\) of a community health worker school in Central Province.

\(^{29}\) From 20 to 40 students a year.
• Medical supplies: a catalytic change occurred due to Australia’s efforts to directly distribute medical supplies to all health facilities in Papua New Guinea, at the request of the Department of Health. In 2011, three rounds of 40 per cent medical supply kits were delivered to 706 health centres and 2101 aid posts. This accounts for 95 per cent of all health centres and 96 per cent of all aid posts. The remainder of the kits were distributed in early 2012. In 2011, Australia also met the full costs of procuring 100 per cent medical supply kits which are estimated to cover 90 per cent of rural health medical supply needs in 2012–13. These measures were undertaken to ensure continuous medical supply in Papua New Guinea, while the Department of Health progresses the systemic reforms necessary for effective and sustainable medical supply distribution.

• Public health: Australia’s overall approach to supporting an effective Papua New Guinea-led response to communicable diseases is on track. Australia’s core funding to the Global Fund to Fight AIDS, Tuberculosis and Malaria has contributed to improvements in malaria and tuberculosis services through the first delivery and distribution of 1,402,631 doses of artemether-lumefantrine – the new first line treatment for malaria – and 387,312 rapid diagnostic tests to all health centres in Papua New Guinea. Funding through Rotary against Malaria saw 182,883 bed nets delivered to vulnerable groups including women accessing ante-natal care services, people living with HIV and prisoners, and 1,329,952 bed nets to the general population. Global Fund grants were used to fully implement a tuberculosis directly observable treatment short course program in nine provinces and partly in an additional five provinces. Since 2005, 2026 treatment supporters (government and voluntary) have been trained to provide these short course services. In the South Fly of Western Province, AusAID supported a more comprehensive approach to strengthen tuberculosis services through a successful handover of 41 Papua New Guinea nationals from Queensland care to Western Province through two joint handover clinics, construction of an interim five bed tuberculosis isolation ward and communications centre at Daru Hospital, and increased staffing support by the deployment of a tuberculosis medical officer, coordinator and communications officer.

Australia’s contribution to reducing HIV/AIDS and other sexually transmitted infections in Papua New Guinea constituted over 50 per cent of the total funding for HIV in 2011. Increases in testing nationwide continue to show a geographically concentrated epidemic with over 1 per cent prevalence in Port Moresby and the Highlands Highway Provinces but far lower rates of infection in other areas. A 2010 study showed a 16.9 per cent prevalence rate among sex workers in Port Moresby, demonstrating a concentrated epidemic among this group. New international evidence demonstrates the impact of a comprehensive package of prevention, including testing and treatment of HIV and sexually transmitted infections. Consequently, Australia’s focus is now on outreach and service delivery in high prevalence areas and to high-risk populations. Civil society organisations have proved to be strong providers and

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30 These kits meet 40 per cent of the drug needs of the population. The 40 per cent kits include 30 drugs identified by the World Health Organization as essential for primary health care. The 100 per cent kits meet 100 per cent of the drug needs of the population and also include medical consumables. The 100 per cent kits include the 30 World Health Organization identified drugs as well as an additional 20 identified by Papua New Guinea’s Department of Health.
supporters of HIV and sexually transmitted infection services, and continue to receive
the bulk of Australian funding. Achievements in 2011 included:

- providing 10,494 adults and children with lifesaving antiretroviral treatment. This figure represents 84 per cent of those in need of treatment receiving it, up from 71 per cent in 2010, and compared to zero per cent in 2003. Australian support contributed to over a third of this impressive increase. It also provided for an additional four treatment sites, bringing the national total to 87, up from 61 in 2010 (and 38 in 2007). HIV treatments are now available in every province of Papua New Guinea. The provision of antiretroviral treatment not only saves lives, it is the key factor in fighting the transmission of HIV by dramatically reducing the infectivity of HIV positive people.

- helping over 72,000 people to find out their HIV status through Australian-funded program partners.

- providing 28 per cent of HIV positive pregnant mothers (up from 24 per cent in 2010) with antiretroviral treatment through Australian-funded program partners, helping to reduce the risk of mother-to-child transmission. Although the overall percentage of HIV positive pregnant women receiving treatment is unacceptably low, this increase is a welcome sign.

- supporting HIV prevention by funding the direct distribution of 25 million condoms. This represents a significant increase from the 18 million condoms distributed in 2010. However there remains concerns that condoms are under-used and innovative efforts to address this will be consolidated in future years.

Australia has supported improvements in gender equality for women’s life expectancy and health outcomes, relative to men, by:

- distributing essential drugs (such as oxytocin) to over 95 per cent of rural health facilities, supporting management of post-partum haemorrhage and reducing maternal deaths.

- distributing H1N1 vaccines to 57,413 pregnant women.

- funding a national maternal death audit to better understand the scale and causes of maternal deaths in Papua New Guinea.

- funding a series of surveys on barriers to accessing ante-natal care, a study to identify the types of complications that require hospital treatment as a result of miscarriage and induced abortion, and a variety of human papillomavirus studies among women to determine the prevalence of cervical cancer, provide evidence on cervical screening and cancer prevention among at-risk women.

- delivering rural health facility management training to 168 male and 150 female health workers in all 20 provinces.

- pursuing gender issues within the HIV context, in particular addressing family and sexual violence as a cause and consequence of HIV. Measures such as couple counselling and testing can prevent family violence, while offering a

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short course of antiretrovirals to women after sexual assault can prevent HIV as a result of the assault.

Australia supported disability inclusive development in 2011 by funding the:

- World Health Organization to support more effective diagnosis and treatment of lymphatic filariasis and leprosy to improve management of disability
- supplementary immunisation activities to reach children with disability in rural and remote areas.

In addition Australia has supported the treatment and prevention of disability by funding 48 plastic surgery operations by Interplast, the majority reducing disability to children who have suffered from serious burns, and funding 276 eye care operations by international visiting teams.

Objective 3: Key national roads, ports and airports providing access to markets and services

Australia’s support is primarily focused on road maintenance. Australian assistance for maintenance activities has helped ensure the continued functioning of the 16 national priority roads, which form the backbone of Papua New Guinea’s road network through which the majority of goods and services are delivered.

There is a continuous and improving trend in the condition of the 16 priority roads from the baseline survey of 2005. In 2011, 46 per cent of roads were assessed in good condition (27 per cent in 2005), 47 per cent in fair condition (30 per cent in 2005) and 7 per cent in poor condition (43 per cent in 2005). However, data quality and consistency are ongoing concerns that Australian support is working to address.

It is expected the results achieved in 2011 will lead to the partnership’s road maintenance targets being met. This assumption is premised on the continued appropriate Papua New Guinea government allocation of funding to the sector, and capacity constraints not unduly affecting quality implementation of that funding. Overall assessment of progress is also contingent on the outcomes of the visual road condition survey planned for 2012, which will verify current road condition data.

The government’s budgetary allocations have increased significantly in recent years, with the transport sector the largest Medium Term Development Plan priority expenditure category under the development budget. The 2011 and 2012 recurrent budgets also contained allocations for national priority road maintenance. Consolidation of this trend is required, although to maintain progress toward targets improvements in the quality, effectiveness and efficiency of expenditure are also required. There are signs that the capacity constraints which have dogged the transport sector in the past are not worsening and perhaps improving. In 2011 contract completion rates, scheduling of new work, and awarding of new contracts all made marginal improvements compared with 2010 for Australian financed contracts. Also, the high demand for engineering skills and contractor capacity from Papua New Guinea’s LNG project is likely to ease in the medium term, allowing for expanded capacity outside the mining and petroleum sector. Promisingly all road maintenance contracts financed by Australia were successfully awarded in 2011. However, although expenditure improved on 2010 levels, current capacity constraints have meant that only 62 per cent of the 2011 work plan was able to be delivered during the year.
Major results in 2011 include:

- undertaking maintenance and rehabilitation works on 2310 kilometres of the national priority roads network
- undertaking positive policy engagement with the sector coordination and governance body. The Transport Sector Coordination Monitoring and Implementation Committee, with secretariat assistance from Australia’s transport program, provided effective coordination of eight delivery agencies and four central agencies within Papua New Guinea
- taking a number of significant steps to improve delivery of the Department of Works maintenance program through increased efficiency and expenditure. This is particularly impressive given the 2011 national budget allocation was a significant increase on that of 2010. In conjunction with the improvements on expenditure, noticeable gains were made in contracting and procurement practices, with new standard bidding documents being used in Department of Works procurement processes. The new tendering and contractual requirements were instigated to improve contractor performance and project delivery for contracts awarded in 2011 onwards. A positive sign in the move towards lifting standards of the local contracting industry was the department’s cancellation of a contract based on poor performance.

The current targets for aviation and maritime safety and security contained in the partnership are unlikely to be met under current mutual commitments between Australia and Papua New Guinea. Support in 2011 included:

- concluding a PGK$5 million contract to upgrade Papua New Guinea’s global maritime distress safety system, upgrading the domestic V-Sat network, and replacing the Airport Nav-Aids at Nadzeb and Kavieng airports. Support to develop and rollout new legislation on Small Craft Safety at Sea was also provided
- providing technical assistance, training, mentoring and secondment activities with Australian transport agencies, which has resulted in extensive capacity building in key Papua New Guinea partner agencies, as well as practical support for action on safety. For example, Australia provided assistance with the enquiry into the Madang Dash 8 air accident.

Road contracts issued through the Department of Works include checklists to monitor compliance with gender and HIV/AIDS requirements. However, the collection of data for gender disaggregated employment and the extent to which contractors are adhering to HIV/AIDS contractual requirements is inadequate and inconsistent. We do know that in Bougainville, of the 1629 community road works agreements completed, 21 per cent of participants were women. Under the long-term maintenance contract in Morobe province (2009–2012), 153 communities were visited and HIV/AIDS awareness activities were undertaken with 14 358 women, 14 445 men and 20 007 children, male and female condoms were distributed along with posters and brochures, and 1078 people received voluntary and confidential HIV counselling and testing.
Objective 4: Improved ability to provide law and justice services

Unreported crime and unreliable statistics make it difficult to analyse criminal justice trends in Papua New Guinea, but it is clear the sector has not significantly tackled law and order issues across the country. Crime and corruption have a negative impact on the quality of life of individuals, and hinder development, government services and business investment. Papua New Guinea needs a robust law and justice system to create an environment that is conducive to trade, investment and development. Confidence in the law and justice system is essential in the fight against corruption, and in promoting good governance and transparency in the public and private sectors. An effectively functioning law and justice sector is also critical to addressing the development challenges of gender violence and discrimination, human rights abuse, and HIV/AIDS. Australia’s three major programs work across the sector to address these challenges. Australia’s investment—estimated at 11.4 per cent of the overall budget for law and justice services in Papua New Guinea in 2011—is modest in a challenging environment. In 2011, Australia was the only large donor to the sector, and leveraged this assistance for improved recurrent funding allocations. Recent independent reviews found that overall Australian assistance has contributed to numerous wins within the ministries and agencies of law and justice, including the construction of substantial capital infrastructure for the national and magisterial courts, police, and prisons, and housing for the personnel of these agencies. The institutional capacity development support has strengthened Papua New Guinea’s agencies, thereby providing the building blocks and foundations upon which future development of law and justice can occur. However, the PNG–Australia Law and Justice Partnership review also found that despite these achievements, as a result of Australian assistance there is little discernible evidence of tangible improvements in the delivery of law and justice services. As agreed under the partnership, Australia will progressively reduce support under the partnership for sector coordination and public administration, and will work more closely with provincial authorities and communities to increase service delivery impacts. Support for the strengthening of law and justice service delivery in Bougainville remains a priority, given the special case needs and likely early drawn-down of law and justice powers under the Bougainville Peace Agreement.

Australia assisted several key agencies across the sector to fulfil their core functions. This assistance was provided through a range of mechanisms, including long-term Australian-government advisers placed in the agencies, as well as twinning arrangements with Australian law and justice agencies, the Federal Court of Australia and the Supreme Court of Queensland. For example, the Office of the Public Curator, reduced opportunities for state corruption and prevented vulnerable people from being defrauded of funds due to them from deceased estates; the National Lands Commission and the Lands Title Commission is able to record and track land ownership titles, allowing members of the public to locate accurate records; and the Department of Justice and Attorney General is improving its collection and reporting of statistical performance data. The Office of the State

32 PNG–Australia Law and Justice Partnership; PNG–Australia Police Partnership, Strongim Gavman Program.
34 The Australian agencies involved in the law and justice sector include the Australian Federal Police, Attorney-General’s Department, Queensland Legal Aid, Australian Commonwealth Ombudsman, the Federal Court of Australia, the Supreme Court of Queensland, and Queensland Corrections.
Solicitor can now produce performance management data such as case type and volume and finalisation rates through an improved case management system.

Papua New Guinea has an ambitious target of expanding police numbers from 5160 to 8440 by 2015. In 2011, Australian Federal Police officers assisted Bomana Police Training College to develop the necessary processes and capacity to administer police recruitment on a large scale. Royal Papua New Guinea Constabulary recruitment was at its highest level for several years, with 711 inducted in 2011 (including 100 women), up from 197 in 2010. However, until adequate recurrent budget support is provided through the national budget to both recruit and support a growing force, the Medium Term Development Plan targets will not be met. Other assistance to strengthen the constabulary included human resource audits and financial support to address future recurrent budget issues. Extensive construction and refurbishment of police housing occurred in Kokopo, Vanimo, Mt. Hagen, Kundiawa and Masul. Frontline police service delivery was strengthened through training to provincial fraud units in Popendetta, Kimbe, Wewak, Madang, Goroka and Mt Hagen.

Australian support to the constabulary’s Financial Intelligence Unit, along with support to the Office of the Public Prosecutor Proceeds of Crime Unit, resulted in seizures under the Proceeds of Crime Act. The Proceeds of Crime Unit already has cases targeting over K20 million, and has recovered K1.2 million and restrained over K6 million of property.

With Australian assistance, the constabulary established an additional Family Sexual Violence Unit in Kokopo, bringing the total number of units to eight across the country. These provided services to 4423 victims of sexual assault in 2011.

Efforts to support the restructure of correctional services and improve custodial responsibilities included the civilianisation of the service (16 people were recruited to fill corporate functions), support to return prison wardens to operational tasks, construction of 21 prison staff houses in Lae, and rehabilitation of jails in Goroka and Mt Hagen. The Correction Services Training College was supported to develop and implement new recruit curriculum and strengthen the capacity of its management and staff.

The Village Courts Secretariat was supported to increase the collection of gender disaggregated data by case type from over 500 Village Courts, which resulted in total returns of 1800 cases between late 2009 and late 2011. A total of 221 clerks were trained in data collection. The secretariat also worked in partnership with an Exxon Mobil funded audit of 31 Village Courts in Southern Highlands Province, Gulf and Central provinces to improve service delivery and supervision along the LNG pipeline. A further 120 women were appointed as village magistrates, bringing the current number to approximately 700. Amendments to the legislation governing the Village Courts were finalised, including provisions to improve the protection of

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35 The 2012 Royal Papua New Guinea Constabulary budget provides funds for only 240 recruits.
36 The Family Sexual Violence Units are private and safe areas for victims of sexual assaults and domestic violence to report offences. They are staffed by specialist police officers who know the law, the rights of victims, and who help ensure victims are provided with support ranging from providing transport and assistance to receiving medical assistance, seeking an interim protection order from a magistrate, or securing safe emergency housing. The units work closely with the Sexual Offences Squad investigating family sexual violence-related indictable offences.
37 40 per cent of correctional services staff are over the age of 50, 25 per cent will be of compulsory retirement age by 2011, a further 25 per cent will retire by 2016.
38 United Nations Special Rapporteur on Torture mission to Papua New Guinea in 2010 reported beatings of detainees, widespread use of excessive force by police and corrections, poor prison conditions, juveniles held with adults in police lock-ups, and women vulnerable to sexual abuse in detention.
women and children from violence and increasing the appointment of women officials.

The management of settlements and judgements awarded against the State in the Office of Solicitor General was strengthened, enabling 348 files to be cleared for payment (158 in 2010), and replacing case management systems previously abused for fraudulent payments.

Efforts to support Papua New Guinea reduce and prevent corruption were progressed on several fronts, including improvements in investigation completion and quality rates in the Ombudsman Commission. The National Fraud and Corruption Division of the Royal Papua New Guinea Constabulary was helped to develop training manuals and deliver training to 82 regional fraud investigators, resulting in the highest number of arrests over the past five years. In 2011, 10 cases resulted in fraud convictions with another 30 cases to be heard. Australian government advisers supported the Department of Justice and Attorney-General’s Legal Policy and Governance Branch to develop the National Anti-Corruption Strategy and a draft bill for an Independent Commission Against Corruption. This work builds on the solid foundation of the National Anti-corruption Alliance, established with Australian aid program support. They also strengthened the prosecutorial capacity of the Office of the Public Prosecutor in relation to corruption offences and seizing the proceeds of corruption. Assistance to both agencies resulted in Papua New Guinea’s government undergoing a review of its anti-money laundering regime by the Asia/Pacific Group on Money Laundering, and preparation of a draft implementation plan for its recommendations.

Progress towards gender equality, equal participation in decision-making processes, equal rights within the justice system and equal access to justice services, continues across the sector. Specific Australian contributions include:

- implementing and monitoring the sector’s Law and Justice Gender Strategy, including equal participation in decision-making, equal rights within the justice system, and equal access to justice services
- supporting the appointment of 120 female magistrates to village courts, through advocacy and training
- supporting improvements to the way in which police respond to victims of family and sexual violence through the Family and Sexual Violence Units
- supporting the roll-out of interim protection orders within magisterial services: 1350 applications were received and 989 orders granted in 2011, compared to 659 received and 342 granted in 2009
- assisting the Department of Justice and Attorney-General’s Legal Policy and Governance Branch to develop draft legislation for family protection orders, people smuggling and people trafficking
- supporting access to justice through the construction of legal aid offices, bringing the total number of offices across Papua New Guinea to 10.39

Efforts to address HIV issues included:

39 The legal aid offices are located in Bulolo, Kainantu, Manus, Wewak, Alotau, Vanimo, Popondetta, Kavieng, Kerema and Buka.
• working with correctional services to adopt HIV/AIDS training manuals and to better manage detainees through improved health care services

• mainstreaming HIV strategies for law and justice agencies to inform HIV prevention activities linked to the National HIV and AIDS Strategy.

• collaborating with the HIV program for training lawyers in the Office of the Public Solicitor; and assisting the HIV program and the International Development Law Organization to provide HIV-related legal aid services for sexual minorities and other vulnerable groups by building capacity of lawyers to manage HIV related cases

• supporting development of better data to understand the impact of HIV/AIDS within law and justice agencies, as well as the sector’s impact on the epidemic

• incorporating HIV/AIDS training into curriculum developed by the Correction Services Training College

• supporting the National AIDS Council, including training in Mt Hagen, Alotau and Kokopo, to introduce the police force’s equal employment opportunity and HIV policy.

Objective 5: Effective and sustainable public sector service delivery mechanisms

In support of the priority outcome areas under the partnership, assistance to the public sector at the national and sub-national levels is focused on ensuring funding availability and increased accountability. Overall public sector ability is showing little improvement. Some advances were made in budget allocation and public financial management at national and sub-national levels, but it is unclear whether these could survive significant changes, such as movements in senior leadership.

In 2011 there were six areas which demonstrate progress towards effective and sustainable public sector service delivery mechanisms:

1. Encouraging a stable macroeconomic environment

Australian assistance to the departments of Treasury and Finance helped Papua New Guinea to maintain its strong macroeconomic performance in 2011 despite uncertainties in the world economic environment as well as domestic challenges. The International Monetary fund noted that ‘professional treasury administration and an independent central bank continue to support sound macroeconomic management’.40

Australian government advisers supported the Department of Finance and Provincial Treasuries to identify uncollected or unremitted non-tax revenue. Collection of even a portion of outstanding non-tax revenue in provinces provides additional revenue to be applied to development priorities or reduced government debt. PKG3 million in non-tax revenue was identified from two provinces as a result of this support. With Australian assistance, the Internal Revenue Commission developed and improved processes to track and recover tax revenue from medium size companies.

Australia assisted Papua New Guinea to progress the establishment of a transparent and accountable sovereign wealth fund. This included significant technical advice to assist with the design and establish the legislative and institutional framework. The fund will be important in providing an enabling mechanism for Papua New Guinea’s revenue from mineral resources to potentially be more effectively used and managed.

2. Improving budget allocation to service delivery priorities

Australia initiated an engagement strategy41 for the 2011 national budget emphasising a focus on outcomes over inputs to support greater transparency and visible linkages between budget funding and service delivery. This helped stakeholders understand the importance of appropriately funding the recurrent budget, and allowed some key recurrent budget initiatives to be supported. As a result, the 2011 national budget saw some real improvements, including better screening of both the recurrent and development budgets, and improved allocation to development priorities. Increased Papua New Guinea government funding for the education subsidy also triggered an AusAID performance payment.42 The increased rigour demonstrated by the Budget Screening Committee during preparations for the 2012 budget is also a positive sign of progress toward improving allocations to service delivery priorities.

Australian assistance helped several provincial governments apply recurrent allocations to basic services more effectively. This builds on Australia’s long-term support to implement the Reform to Intergovernmental Financing Arrangements which commenced in 2008. The fiscal capacity of the six poorest provinces to meet minimum service delivery costs increased from 30 per cent in 2008 to 48 per cent in 2010. For the first time, the service delivery functions that provinces are responsible for, and must budget for, were mapped. This included 11 minimum priority activities across sectors like health, education, and infrastructure. New budgeting rules for national grants directed provinces to budget each type of grant towards specific service activities. The National Economic and Fiscal Commission has also supplemented this with new service delivery costing models to draft provincial budgets for provinces. The commission’s monitoring shows the quality of many provincial service delivery budgets continued to improve in 2011.

While the above progress is encouraging, there remain challenges to the integrity of the national budget: the increasing number of government decisions with a fiscal impact taken outside the disciplines of the normal budget processes is a growing concern; the decision to break with the medium term fiscal strategy by choosing to spend 100 per cent of ‘additional mineral revenue’ rather than allocating a percentage to debt reduction; inadequate monitoring and reporting on all budget expenditure but particularly in relation to service delivery; the need for government decision-making to be based on properly costed budget proposals; the lack of multi-year budget funding; the separation of the Development and Recurrent Budgets; and poor budget execution practices which continue to undermine service delivery.

3. Improving public service accountability and performance

Australia supports Papua New Guinea to provide public sector training on a range of topics including, team/staff management, record keeping and budgeting. In addition,

41 See introductory comments in this section for further detail on Australia’s budget engagement strategy.
42 See the progress against outcome 1 section for further details on the Education Subsidy.
various technical advisers are working with central agencies to improve the transparency, gender equality and efficiency of recruitment practices and performance management of staff. Recognising the importance of audit committees and internal audit in good governance, transparency and accountability, Australian technical support is revitalising the audit committee program in Papua New Guinea. To date 28 audit committees have been established in government agencies and provincial administrations. In addition, Australian government advisers, and twinning activities with the Australian National Audit Office are assisting the Auditor-General's Office to expand its performance audit program to identify and report on the impact of key service delivery failures.

The Departments of Personnel Management and Department of Finance is reforming the public sector payroll system to assist individual hospitals to make appropriate decisions based on individual hospital needs in delivering better health services. A pilot program to give hospital administrators greater control and visibility over their payroll services and workforce planning has so far proven successful in 2011. The chief executive officer of Mendi Hospital has publicly confirmed savings of PGK 80,000 in three months as a result of the program. In addition, reports indicate that staff morale has improved due to shift allowances being paid on time, and management can better manage absenteeism through non-payment of wages for those staff absent from work without legitimate reasons.

4. Financial flows to the provinces and expenditure on service delivery

Papua New Guinea’s provinces are responsible for most basic services and are operating under a new system of financing service delivery. Australia’s long-term support to the Reform of Intra-Government Fiscal Arrangements, which began implementation in 2009 and continues to be honoured through the national budget, is delivering increased funding for goods and services to those provinces with the greatest fiscal need. With ongoing Australian support, the government has increasingly pressured provinces to spend additional funds on the minimum priority activities. A number of provinces are demonstrating increased spending on frontline services. In some cases, provinces demonstrated links between increased spending and increased level of services, such as increased number of rural health patrols. In 2010, seven provinces demonstrated satisfactory overall commitment to the minimum priority activities while another nine had satisfactory commitment for approximately half of the activities.

In 2011, the National Economic and Fiscal Commission continued with its annual provincial expenditure review, analysing spending in 2010 by provinces in 'Provincial Expenditure Review 2010: the Ripple Effect'. This is the sixth consecutive year the review had been produced and the second since the Reform of Intra-Government Fiscal Arrangements began implementation. The expenditure review is proving to be a motivational tool for provinces to increase spending on priority frontline services and to provide better reports against the minimum priority activities. Provinces are still constrained however, by technical and political obstacles inherent in the processes at both national and provincial level that need to occur.

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43 Minimum priority activities are legally-binding requirements for provinces to spend on 11 key operational activities in health, education, infrastructure, agriculture and law and justice services.
44 The provincial expenditure review analyses a range of provincial data including expenditure, budget allocations to service delivery and percentage of funds unspent. Using a range of criteria, it ranks provincial performance on a league table.
before funds reach frontline service facilities each year. Australia will emphasise coordinated support through the relevant central agencies, service delivery agencies and provincial administration to address these issues around financial flows and service delivery expenditure.

5. **Building the capacity of provincial and local administrations**

Provinces are responsible for managing and implementing the most basic services in Papua New Guinea. As such, Australia engages directly at the sub-national level and with the Department of Provincial and Local Government Affairs to affect positive change. Provincial incentive payments and technical assistance is continuing to deliver incremental improvements to provincial financial and human resource systems in those higher-performing provinces with strong and consistent leadership and dedicated team.
For example:

- Central province has substantially improved its planning, budgeting and financial management, moving from 17th to fifth out of 18 provinces in its spending on frontline services. For instance, as a result of increased health funding from 2008 to 2009, outreach patrols increased by 393 per cent, supervised deliveries by 77 per cent and measles coverage from 39 per cent to 69 per cent.

- East New Britain Province restructured its public service to increase staff at the district and local level, and has implemented a system of directly funding health facilities that has anecdotally improved levels of clean water, drugs and health patrols.

- West Sepik Province used incentive payments to subsidise air charter services to freight materials and increase the movement of people to remote districts, and it also improved funding flows to the district level.

- Along the Kokoda Track, Australia continued to work with local governments to build school and aid post infrastructure, deliver health and education supplies and train local teachers and community health workers.

- Bougainville used Australian funds to rehabilitate the electricity distribution service in Arawa, Sohano and Kokopau and bring more reliable electricity to over 1000 people.

6. Reporting on service delivery

Provincial government reporting on service delivery under the Organic Law on Provincial Governments and Local-level Governments continued to progress in 2011, and there is potential for most provincial reporting requirements to be up-to-date by the end of 2012. The Provincial and Local-level Services Monitoring Authority held all quarterly meetings, although the second two were poorly attended.

Gender equality and disability-inclusive development

Some minor gender equality and disability-inclusive development gains have been made at the national level. Australia supported the Department of Personnel Management to incorporate gender equality and disability inclusion in a review of the Public Service General Orders. The insertion of equity and inclusion issues in the orders gives departments across the public service the legislative and policy guidance to govern their workplaces. In conjunction with the International Labour Organization, Australia supported the Department of Labour and Industrial Relations to reform the Employment Act to reduce discriminatory practices and increase legal protection for all employees particularly those with disability. As a part of the gender mainstreaming approach, Australia is aiming to increase the number of female adviser counterparts to 50 per cent. So far, counterpart training has increased from 21 per cent in 2009 to 28 per cent in 2011. At the provincial level, despite continued efforts, support for cross-cutting issues has overall been weak.
Objective 6: Strengthened democracy

Men and women, civil society, and the state working together on issues of public interest, shaping policy, allocating resources, and enabling the exercise of rights. In 2011 Australia repositioned its democratic governance programs to contribute more directly to service delivery, particularly health and HIV, education, gender equality and disability-inclusive development, by supporting inclusive decision making at all levels.

Major achievements in 2011 included strengthening longstanding partnerships and developing new relationships with key groups to support the engagement of citizens, civil society, the private sector and government in shared public decision making to improve service delivery outcomes.

Church partnerships

Christian churches in Papua New Guinea are an integral part of life and are an institutionalised part of service delivery, particularly health and education. Australia’s longstanding relationship with Papua New Guinea churches aims to leverage their experience and reach to improve service provision to local communities, at the same time as strengthening their institutional capacity and increasing their involvement in public sector governance. Australian support in 2011 increased inter-church partnerships to deliver services. In Lae, the Anglican, Lutheran and Seventh-day Adventist churches are engaging unemployed youth to develop skills and secure jobs in the formal sector. In Kimbe, the Catholic, Seventh-day Adventist, Lutheran and United churches are jointly engaging in non-violence promoting positive behaviour for students, complementing the student behaviour management policy recently introduced by the Department of Education. In Mt Hagen the Baptist, United, Lutheran and Anglican churches are collaborating on phonics education for elementary and primary school students.

National, provincial and local government partnerships

Australia signed a formal partnership agreement with the Department for Community Development in 2011 with notable improvements in capacity for forward planning, organisational management and monitoring and evaluation. The department is mandated to impact community development at the community level, however insufficient budget allocation in 2011 limited its ability to fulfil that mandate. Changes in personnel also slowed the department’s momentum, particularly on gender equality and disability-inclusive development. Notwithstanding these challenges, a major achievement of Australia’s partnership with the department in 2011 was signing, and subsequently ratifying, the Convention on the Rights of Persons with Disabilities. Australia has used its Strongim Pipol Strongim Nesen program to collaborate with provincial and local governments. For example, the program supported the Panguna Peace Building Strategy in Bougainville, and ward planning in Madang.

Non-government and civil society organisations

Key collaborations with non-government organisations include the ongoing partnership with CARE Australia, and a newly formed partnership with Transparency

International PNG. CARE’s Integrated Community Development Program continues to improve the wellbeing of Papua New Guinea’s people in some of the country’s most remote and disadvantaged districts. The Integrated Community Development Program was included in an independent AusAID review of remote area service delivery in early 2012. Initial findings of the review show that despite the challenging environment that the project operates in, it has resulted in significant achievements in community health, education and livelihoods promotion. The review suggests that while the governance component of the program has promoted participatory and inclusive planning, it has been unable to generate buy-in at the political level and is unlikely, in the short term, to be successful in promoting greater allocation of resources to the local level.

A significant achievement in 2011 was Strongim Pipol Strongim Nesen’s extensive grants scheme that is fully established with provincial authorities. This scheme provides the primary mechanism for providing Australian support direct to communities throughout Papua New Guinea. Twenty decentralised local grants committees were established and the necessary mechanisms for selecting, implementing and monitoring of approximately K50 million of small, medium and large grants over the next two years are in place. Strongim Pipol Strongim Nesen grants will support local-level service delivery in health (including HIV/AIDS), education, gender equity and disability-inclusive development, in line with the priority outcomes of the PNG–Australia Partnership for Development and key cross-cutting issues for the Australian aid program in Papua New Guinea. The bulk of this support will commence in 2012, however some residual democratic governance grants managed by Strongim Pipol Strongim Nesen are already improving access to basic services. For example, the Kui-Kopun Dam road construction has given more than 3000 people from Toli and Warakal better access to health and education services. This project also influenced community, ward and district leaders to build an elementary school closer to Toli enabling access for additional students.

Australia’s Media for Development Initiative continues to play an important role supporting an open media in Papua New Guinea that gives a voice to civil society, provides nationwide access to information and builds demand for better governance. The completion of satellite infrastructure in 2011 has resulted in each provincial capital now receiving the National Broadcasting Corporation’s (NBC) radio signal, whereas only half previously received the signal. Over 75 per cent of the country is now within radio reach. In 2011, the percentage of digitised radio archives in NBC’s headquarters increased from 50 per cent to 80 per cent. With Australian assistance, the NBC trained 80 staff in management and 22 staff in radio programming, and undertook significant broadcasting on gender and maternal health issues including over 1200 public service announcements, 34 hours of radio broadcasting and four hours of television.

Electoral support

In 2011, Australia built on past support to strengthen Papua New Guinea’s electoral system. This current phase of support to the country’s Electoral Commission focuses on planning for and administering secure, free and fair national elections in June 2012, which are essential for stability and good governance. This has resulted in improved coordination and budget management between government agencies through the Inter-Departmental Elections Committee, stronger procurement procedures limiting excessive charging and improved anti-fraud measures. Australia’s
electoral support in 2011 also focused on increasing knowledge of the electoral system and civic awareness with at least 65 civil society organisations delivering messages reaching over 1.5 million citizens through media campaigns. Australia is also supporting women’s participation in the election process by delivering Prime Minister Gillard’s October 2011 announcement of $1 million to train women to participate as leaders in their communities. Australian support helped the commission recruit women as polling officials, target 18 out of 22 young women graduates to become assistant election managers, roll out separate polling booths for women, and target women during voter awareness campaigns. Australian assistance also enabled the commission to conduct Papua New Guinea’s first workshop on elections and disability, which brought together disability partners and agencies to discuss how to make elections inclusive for people with disability. As a result of the workshop, the commission conducted a separate enrolment event for people with a disability in Port Moresby. This exercise will be rolled out to provinces in 2012. Australia has provided limited, strategic support to help the commission improve its electoral roll management. Fundamental reform to roll management is probably needed, but can only be achieved with strong political will and adequate financing. While Australia’s practical support has assisted the Electoral Commission administer elections, the timing and success of the elections is ultimately the responsibility of, and dependent on, the government.

Objective 7: Increased workforce skills

In 2011, Australia awarded 171 (49.7 per cent women) Australian Development Scholarships and 85 (46 per cent women) out of 103 successfully completed their studies and returned to Papua New Guinea. In addition, there were seven Australian Leadership Award Scholarship recipients who graduated with a Masters or PhD, along with 10 graduates from the Australian Centre for International Agricultural Research scholarship program.

Since the establishment of the Australia Pacific Technical College in June 2007, 1851 Papua New Guineans have graduated from the college—729 from School of Hospitality and Community Services and 1122 from School of Trades and Technology. In 2011 over 348 Papua New Guinea students were continuing enrolled students of which 180 were on scholarships.

Australia’s scholarship programs are applied to affect outcomes across all the priority areas under the partnership. In addition to the scholarship programs above, some new initiatives were advanced in 2011 to address specific skills gaps that, if not addressed, could undermine the achievement of the partnership priority outcomes:

- A particular emphasis is being placed on addressing Papua New Guinea’s health worker density which is unacceptably low. In 2011 Australia developed a pilot scholarship for midwifery and community health work which will commence with 93 scholarships to be undertaken in Papua New Guinea in 2012. With lessons learnt from the pilot, the aim is to significantly increase awards numbers by up to 470 from 2013 to 2015.

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46 Figures as at February 2012.
47 Papua New Guinea’s health worker density is estimated to be 0.58 per 1000 population (an ideal is 2.5 per 1000), with more than half approaching retiring age in the next decade.
Sixty-seven awardees participated in a pilot program of Short Course Awards in Brisbane. Three courses were delivered: higher education leadership (20 participants), project management (23) and education financial management (24). The short courses are well suited to capacity strengthening at a provincial level. Training is targeted, time away from work is limited and awardees work as supportive cohorts from similar fields of specialisation.

Collaboration with higher education institutions in Papua New Guinea provides high quality post-graduate capacity in a range of specialist fields. Ten per cent of awards are reserved for Papua New Guinea’s higher education sector enabling academics to obtain Australian post-graduate and doctoral awards, thereby contributing to the country’s academic quality.

In 2011, the positive effects of efforts to address the challenges faced by Papua New Guinea recipients of international scholarships became manifest. Annual awardee surveys undertaken in Australia show Papua New Guinea awardees have consistently high levels of financial and academic stress. Improvements in scholarship program management, including the use of case managers for Papua New Guinea students at Australian institutions, resulted in a drop in variation costs and numbers in 2011 compared with 2010.

Australia provides financial and secretariat support to the PNG–Australia Alumni Association, which is regarded as the most active and organised international alumni association in Papua New Guinea. It has active chapters in Port Moresby, Lae, Goroka, Madang and Kokopo and regularly holds alumni events. It also undertakes a number of charitable programs including the Safe Motherhood project which has to date distributed over 100 medical kits to rural and community health centres.

Gender equality, disability-inclusive development, increasing provincial access

Women’s access to scholarship opportunities is addressed by award allocation parity. However, applications from women continue to be disproportionately low (36.5 per cent in 2011 down from 39 per cent in 2010). Strategic targeting through women’s organisations occurred in 2011, along with all media advertising and scholarship information sessions explicitly encouraging applications from women, and people with disability.

In 2011, four awardees self-identified as having disability. Through engagement with Papua New Guinea disability organisations such as the National Board for Disabled Persons and the Cheshire Home of Papua New Guinea, Australia’s scholarship program encourages and prioritises applications from people with disability and people working in the sector. The disability community was represented on the 2011 Australian Development Scholarships selection panel.

The scholarship program promotional strategy also focuses on strong provincial coverage. A pilot short course addressed provincial access issues, targeting awardees...
from provincial governments and education institutions outside the National Capital District, while in-country scholarships, which are being piloted in 2012, will provide opportunities for access to post-secondary education for people in remote provincial locations.

**Objective 8: Safe and resilient communities in high-risk provinces**

In 2011 Australia contributed to increased capacity in high-risk provinces to manage disaster risks and respond effectively to natural disasters, through:

- supporting the Rabaul Vulcanological Observatory’s public awareness campaigns, with approximately 25,610 women, men and children receiving preparatory training in the event of volcanic eruptions
- pre-positioning relief supplies such as tarpaulins, water containers and blankets in Port Moresby and Lae for quicker, more effective emergency response
- providing technical support to the government’s disaster risk management training modules and public awareness campaigns to better prepare communities to respond to disasters. Targeted groups include women, girls, and those living with HIV/AIDS and disability
- providing vulnerable women, men, girls and boys across eight provinces with life-saving assistance in response to a cholera outbreak
- partnering with the Red Cross to provide 11,117 vulnerable women, men, girls and boys in flood affected communities of the Oro Province with safe water and basic sanitation
- West New Britain province was selected as the pilot province for Australia’s disaster risk management program. A modest program of support has been identified in consultation with West New Britain’s provincial administration and disaster office, and the National Disaster Centre.

The National Disaster Centre has, by its own assessment, no capacity to respond effectively to medium and large-scale disasters without international assistance. The centre operates without a contingency fund, and cannot quickly mobilise or deploy assessment teams. Weak relationships between the centre and provinces also constrain the government’s emergency response. A 2011 review of the Disaster Management Act 1987 was to resolve some of these issues. It was planned that this be introduced to parliament in late December 2011 however this did not take place.

In 2011 Australia supported climate change adaptation in vulnerable communities through grant funding to communities in Manus Island and Milne Bay. This support resulted in two sites for drought resistant crops in Manus Island, 10 Manus Island communities undertaking village needs and planning assessments, and the construction of a dry stone wall building in one village to prevent coastal erosion.

Support to the office of Climate Change and Development included developing a national monitoring, reporting and verification system for carbon accounting and the publication of the Papua New Guinea Climate Change in the Pacific report.

The likelihood of these small-scale interventions affecting significant change within the current environment is rated as very low. Climate change issues are contested in
Papua New Guinea policy-making, and without the reversal of incentives to continue with practices such as unsustainable and illegal logging, community-based interventions can only have limited success.

As agreed at the Ministerial Forum in 2011, Australia has begun the process to withdraw from direct support of the agriculture sector through the bilateral aid program. Results from projects already committed in 2011 include:

- enabling women and young people from East New Britain to successfully bring their commercially produced taro to Port Moresby markets
- introducing a ‘coffee curriculum’ into the primary coffee-producing regions of Eastern and Western Highlands, Chimbu, Morobe and East Sepik provinces
- providing up-to-date, prices and information on Papua New Guinea urban markets (including Port Moresby and Lae) to East New Britain smallholders.

**Objective 9: Gender equality and women’s empowerment**

Support for gender equality in Papua New Guinea is a key focus for all priority sectors and helps ensure that all of Australia’s aid program activities in Papua New Guinea place women at the centre of planning and implementation. This is important as Papua New Guinea has amongst the world’s highest maternal mortality rate, the fewest number of female parliamentarians, and amongst the highest levels of family and sexual violence. Australia’s aid program in Papua New Guinea approaches gender equality and women’s empowerment in two ways: through mainstreaming gender equality into all programs, and also through standalone activities, which have as now been focused on technical advice, public awareness raising and family and sexual violence.

Mainstreaming gender equality has led to some good results as noted in the objectives above. Support to the law and justice sector is aligned with Papua New Guinea’s own gender equality objectives, and the integration of gender equality into all facets of the work of the democratic governance program is a strong approach. Concern remains however that coherence, coordination and reporting on gender equality across the aid program in Papua New Guinea is difficult. To bring about significant change in gender equality, it is necessary to have both mainstreamed activities at the heart of each sectoral program and specific stand-alone activities. However the biggest catalyst for change would be a commitment to action (rather than policy) from the government.

Results from many of the stand-alone gender activities are difficult to measure, as these activities have been primarily to raise awareness, build knowledge and strategy and also assist the government to coordinate donors. While we know these activities play an important role, in the future stand-alone gender activities need to look beyond simply awareness raising and specify the intended results clearly in advance. Undertaking research on the experience of women (such as the joint AusAID-World Bank co-financing of the 2012 World Development Report) can provide a more robust analytical platform from which we can target our aid program.
Gender is mainstreamed across partnership priority sectors. Key results fit under the following objectives: 51

Advancing equal access to health and education services: these results are summarised earlier in this report under the health and education objectives.

Increasing women’s voice in decision-making and leadership: the aid program has supported training for women candidates in preparing for elections, which has been delivered through the Australian National University’s Centre for Democratic Institutions. In addition, attempts have been made to remove barriers to women in the bureaucracy. However, notwithstanding efforts by some sectors, the aid program should have a strengthened focus on leadership at local and community levels.

Empowering women economically and improving their livelihood security: AusAID largely supports this through work in the agricultural sector, which will conclude in 2012. AusAID also contributes to this through the Pacific Microfinance Initiative. This is an area where we could be more active.

Ending violence against women and girls in the home, community, and in disaster and conflict situations: This is an area in which the aid program has undertaken a great deal of work, through standalone initiatives, public affairs, the Strongim Pipol Strongim Nesen Program and assistance through the law and justice sector, as noted earlier in this report. The work in the law and justice sector in particular has been service oriented to survivors of family and sexual violence.

Objective 10: Disability-inclusive development

Efforts to achieve disability-inclusive development efforts in Papua New Guinea are guided by Australia’s Development for All policy. Australia is identified as the only donor with an agency-wide policy on disability that is operating in Papua New Guinea. The Department for Community Development chairs the National Advisory Committee on Disability, which is intended to include other relevant government agencies, however a mainstreaming approach has not been adopted across the government.

Preliminary findings of a mid-term review of the Development for All policy pointed to several achievements of the Papua New Guinea program in 2011:

- The collocation of an AusAID officer in the Department for Community Development was highly successful and all reports suggest it contributed to increased capacity for the department, better relationships with AusAID, and in particular the opportunity for focus on challenging areas such as disability inclusion. The successful ratification of the Convention on the Rights of Persons with Disabilities was a direct result of this engagement with the department.

- Successful mainstreaming of disability-inclusion in Australia’s electoral support and in the Strongim Pipol Strongim Nesen program. The very successful process around disability inclusiveness in the election process led to small but significant changes in access for people enrolling and potentially

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51 These are the four pillars of Australia’s Thematic Strategy Promoting Opportunities for All: Gender Equality and Women’s Empowerment, November 2011.
voting. While this is just a beginning, it has been identified as a significant step in Papua New Guinea and one upon which further changes can be developed. The Strongim Pipol Strongim Nesen program has mainstreamed disability-inclusion in its work components, with a particular emphasis on decreasing the barriers preventing people with disability from full participation in society, and improving education and health outcomes for people with disability.

The review noted AusAID support to disability specific activities, in particular to national disability organisations and also through its partnership with the Department for Community Development, is seen as an appropriate starting point. It also noted several opportunities for Australian support, particularly in the health and education sectors, to increase mainstreaming of disability inclusion. Senior management and the relevant sectors will address these recommendations.

**Program quality**

Thirty-one initiatives under the Papua New Guinea program were given Quality at Implementation (QAI) ratings for 2011. A summary of ratings is reported at Annex B. In 2011, the program continued to use the QAI moderation process to build staff capacity to accurately assess activities against AusAID’s quality criteria.

Criteria that generally rated well across the program were:

- **relevance**, with 65 per cent of initiatives rated ‘good’ quality and above
- **effectiveness**, with 55 per cent of initiatives rated ‘good’ quality and above.

**Efficiency** received the lowest ratings across the program, with 29 per cent of ratings ‘less than adequate’. Relevant programs took actions to deal with efficiency issues. For instance the scholarships program has adopted new administrative processes while some activities, such as health education and clinical services have been discontinued. Monitoring and evaluation ratings were also low, with 25 per cent of initiatives rated ‘less than adequate’. No criteria received ‘poor quality’ ratings. Of the nine initiatives that were identified as needing improvement, all had either low efficiency or monitoring and evaluation ratings.

The three initiatives which received ‘poor quality’ ratings in 2010 for monitoring and evaluation improved in 2011. However, significant work is still required to ensure that the monitoring and evaluation systems in place across the aid program are providing evidence to link results of initiatives to intended outcomes.

Compared to 2010, four initiatives improved their quality ratings, while two declined (all others remained stable). Of the two initiatives that declined one has since ended. The other is addressing its decline in efficiency and gender equality ratings.

Five initiatives were designed and rated for Quality at Entry (QAE). The two education initiatives were rated ‘high quality’, while the other three were rated ‘needs improvement’. Weaknesses in addressing gender equality were common among these. Peer review comments were addressed in the final designs before starting implementation.

The Papua New Guinea program’s ability to generate and effectively use performance information is making incremental improvements. A performance assessment
framework was drafted following the revision of the partnership for development schedules in 2011. The framework measures the results outlined in the partnership schedules as well as those identified in the monitoring and evaluation frameworks for the aid program’s delivery strategies, program designs, policies and projects. Many of the result indicators are taken from Papua New Guinea’s Medium Term Development Plan (2011–2015). Integrated indicators and stand-alone judgements are to be made for disability-inclusive development and gender equality.

The performance information generated through the annual performance assessment for 2011 showed that while Australia’s ability to track performance against our expected results is strong, our ability to know how the sector is progressing overall (and therefore what our contribution is to that sector) is limited by issues of Papua New Guinea data and targets. We are working closely with Papua New Guinea counterparts to improve sector performance information systems in health, education, and transport and across the law and justice agencies.

During 2011, two independent progress reports were undertaken: Strongim Gavam Program (March 2012) and PNG–Australia Law and Justice Partnership. An independent review of the Bougainville Governance and Implementation Fund was also completed. Recommendations from these evaluations are guiding improvements to the programs.

In 2011, the Office of Development Effectiveness also undertook two independent evaluations:

- Rural development: From seed to scale up: lessons learned from Australia’s rural development assistance, which was completed in April 2012.

- Health and HIV: Australian aid program’s contribution to the national HIV response in Papua New Guinea, which is currently awaiting management response, expected in June 2012.

Key recommendations from evaluations and reviews have been taken up by programs to guide their overall direction, improve new designs and adjust implementation of ongoing programs. A dashboard is under development which indicates required key management actions and will form a management tool for the executive. This will ensure actions are taken against key recommendations and management responses, and address past inadequate follow-up of recommendations and management responses to evaluations.

Six design and delivery strategies are planned for 2012–13. Twelve evaluations will be undertaken—独立 progress reports, independent completion reports or joint reviews—and at least one cross-program impact study is also planned.

Several initiatives will be completed in the next two years and forward pipeline planning is an urgent priority. Currently, 51 per cent of bilateral funds are committed in funding agreements for 2012–13 and only 29 per cent for 2013–14.
Multilateral performance assessment

The following summarises the key points of a broader assessment made on the achievements of multilateral partners in relation to Australia’s aid program in Papua New Guinea. Some key results achieved in 2011 through Australian funding to multilateral partners in include:

**World Health Organization**

Child health immunisation: Australia contributed $1 million in 2011 to support the reaching every district initiative in partnership with the World Health Organization and Papua New Guinea’s Department of Health. Funding was also provided for the World Health Organization’s supplementary immunisation activity program.

**Global Alliance for Vaccinations and Immunisations (GAVI)**

Since 2011, Australia has pledged $40 million, to support GAVI’s sourcing of 433 700 doses of DTP-HepB-Hib vaccines.

**World Bank**

The World Bank’s Roads and Maintenance Rehabilitation Project II ($US53 million 2011–2016) was approved in 2011. Effective engagement between Australia and the World Bank in the transport sector is expected to include increased joint monitoring of activities, assessment of the capacity of the National Roads Authority and continued dialogue on key policy issues in the roads sector.

**Asian Development Bank**

The Asian Development Banks’ country partnership strategy 2011–2015 emphasises support for the following areas which align with and complement Australia’s aid priorities.

Transport: the bank has a robust presence in the roads, aviation and maritime sectors funding major asset rehabilitation and upgrading programs through multi-tranche funding arrangements. In Papua New Guinea, infrastructure loans account for over 80 per cent of the bank’s program.

Forecast estimate of funds disbursed in 2011 are in brackets below:

- Highlands Region Roads Improvement Program. Total value: $400 million (K42.2 million)
- Lae Port Development Project. Total value: $100 million (K36.4 million)
- Community Water Transport Project. Total value: $18.5 million (K13.6 million)
- Civil Aviation Development Investment Program. Total $480 million (K35 million)

Health: AusAID and the Asian Development Bank are collaborating to support provinces and the Department of Health improve delivery of rural health services in 16 districts, which will benefit approximately 1.2 million people. This support includes refurbishing health facilities, up skilling health workers and outsourcing partnerships with churches and the private sector Rural Primary Health Services Delivery Project. Total value of this initiative is $80.4 million (K21.6 million).
Issues of efficiency in using the One UN approach will be considered in the review of the One UN Fund in Papua New Guinea, which is scheduled for late 2012. There have been instances where value for money and timing efficiencies have been undermined through using the fund rather than directly engaging with a particular agency. Work is also being undertaken to ensure One UN annual progress reports better align with AusAID corporate reporting requirements in timing and content.

Risk

The Papua New Guinea program operates in a high-risk environment, where fraud and corruption are commonplace, governance arrangements are weak, and local law enforcement is under-resourced. Papua New Guinea consistently rates poorly on Transparency International’s Corruption Perception Index (ranked 154 out of 183 countries surveyed in 2011, lower than all other countries in the Pacific). Of all countries where Australia works, Papua New Guinea is one of the most susceptible to fraud. In 2011, of the 24 risks listed on the risk register, 20 were rated as high. In addition, the Post was required to manage a mix of existing as well as emerging risks. For example, tuberculosis in Western Province requires Australia to support the Papua New Guinea health system to encourage patients to seek treatment in Papua New Guinea, therefore reducing the risk of transmission of tuberculosis in the Torres Strait. Personal security of staff is an ongoing risk which has required implementation of a robust security management framework, including complying with Department of Foreign Affairs and Trade security arrangements and providing a regional security manager at Post for non-attached personnel security.

Management consequences

Progress against 2011 management consequences is reported at Annex C.

Political uncertainty, security concerns and a complex development context combine to create an operating environment in Papua New Guinea that is fluid, stressful and requires long-term vision and commitment. One notable risk in 2012 is political uncertainty following the national elections. This would severely impact the aid program, our people and the key institutions we work with. In the medium term, at stake is the government’s ability to deliver on heightened expectations in a constrained budgetary environment. This places increasing pressure on the government to have in place the right mechanisms to deliver basic services to all Papua New Guineans. Australia’s aid program needs to work in a coherent, focused way with Papua New Guinea to ensure our efforts are having the greatest possible impact in this difficult operating environment.

Five issues emerge as key priorities from a management perspective for 2012. Progress against these priorities will be reported in the 2012 APPR.

Consolidation and coherence of Australia’s support

To influence the changes necessary for strengthened service delivery, public sector governance and democratic governance, Australia’s aid program is working simultaneously across national, provincial, district and community levels. For these efforts to collectively produce service delivery results, we will need to work more consistently and coherently as an aid program.
We will build on the strong consolidation efforts of 2011, with a focus on finalising the health and HIV/AIDS integration already underway.

We will also continue to strengthen our focus on the provinces and particularly the Autonomous Region of Bougainville to improve the coherence and impact of our program. In 2012, we will re-invigorate the roles and expand the presence of our provincial teams, and will develop an implementation plan for the Australian engagement strategy in Bougainville.

**Greater analysis of incentives and mechanisms to affect positive change**

Understanding where to place our efforts to have the greatest influence in the current operating environment is driving the program’s need for greater analysis. Drawing on new and existing analysis to develop a country situational analysis is a priority, as is gaining a deeper understanding of the incentives and mechanisms to increase political will and public demand to address blockages in service delivery chains.

Effective governance is particularly important in an environment of narrowly based resource revenues and heightened expectations of windfall LNG revenues. However, building the capacity of the public sector to help Papua New Guinea translate the economic growth into improved livelihoods remains a significant challenge. In 2012 we will undertake an in-depth analysis of governance in Papua New Guinea to enable a more effective program of support to be designed for the future. We will also strengthen the economic capability of the Post to enhance analytical capacity and economic policy engagement.

Following the outcomes of the elections, we will review the assistance provided by Australia to consider future engagement in the sector.

**Improve our ability to define and measure results and impacts**

The partnership dialogue with Papua New Guinea’s government in 2012 will seek to refine indicators and targets to ensure we are measuring the right results to know how we are tracking to meet the partnership priority outcomes. Australia will place particular emphasis on the flagship sector, education, to assist Papua New Guinea address underlying issues with measuring progress towards universal basic education. Specific focus will also be given to achieving and measuring results in education quality.

The Papua New Guinea performance assessment framework will be further refined in 2012 to include measuring impacts of Australia’s aid program. Through this work, the program will further position itself to report against the agency-wide results in the comprehensive aid policy framework.

**Further efforts to address gender equality**

Australia remains deeply concerned about the lack of progress on gender equality in Papua New Guinea. Acknowledging the difficulty of measuring the impact of stand-alone awareness raising activities, the aid program will undertake to clearly articulate, in advance, the intended results of gender equality activities. In addition to expanding support to address family and sexual violence, more effort will be directed to addressing issues of women’s leadership, economic empowerment, education and promoting livelihood development.
Managing risks, with a particular emphasis on fraud risk

Australia’s aid program in Papua New Guinea uses an annual risk and fraud management plan to ensure that risks are appropriately managed, including the escalation of certain risks to senior management attention. Implementation of risk strategies is regularly reported and the results submitted to an internal audit committee each year.

The joint statement on zero tolerance to fraud in Australia’s aid program in Papua New Guinea has resulted in a fraud control management strategy. Throughout 2012 we will focus our efforts on strengthening fraud management resourcing and skills within the program, supporting Papua New Guinea’s government to reduce corruption, demanding better performance from contractors, and strengthening the ability of civil society and church organisations to detect and manage fraud.
Annex A: Papua New Guinea Human Development Index: Trends 1980 to present

Source: Papua New Guinea country profile: Human Development Indicators at the UNDP website
## Annex B: Summary of QAI ratings

### Papua New Guinea programs: QAI transition 2010–11

<table>
<thead>
<tr>
<th>Initiative name</th>
<th>2011</th>
<th>2010</th>
<th>Quality category</th>
<th>Quality transition</th>
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Definitions of rating scale:

- **Satisfactory (4, 5 and 6):**
  - 6 = Very high quality; needs ongoing management and monitoring only
  - 5 = Good quality; needs minor work to improve in some areas
  - 4 = Adequate quality; needs some work to improve

- **Less than satisfactory (1, 2 and 3):**
  - 3 = Less than adequate quality; needs work to improve in core areas
  - 2 = Poor quality; needs major work to improve
  - 1 = Very poor quality; needs major overhaul

- **Quality:**
  - H = High quality
  - A = Acceptable quality
  - NI = Needs improvement
### Annex C: Progress against 2011 management consequences

<table>
<thead>
<tr>
<th>2011 management consequences</th>
<th>Progress in 2011</th>
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<tr>
<td>Continue to strategically reposition our aid program to Papua New Guinea to focus on a few key areas, deliver better results and implement the program in a coherent manner</td>
<td>The program negotiated four new schedules of the partnership, covering health and HIV/AIDS, education, transport infrastructure and law and justice, with a focus on specific service delivery results within these sectors. Initiatives falling outside these sectors, such as support to land and aspects of agriculture, are being phased out. The governance programs were repositioned to contribute more directly to service delivery outcomes in the priority sectors. The budget engagement strategy was well executed, supporting appropriate allocations to partnership commitments. The health delivery strategy was approved and is the vehicle to improve the integration of aspects of health/HIV programs and to promote coherence with all other sectors to achieve better health outcomes. The program now provides concise, accessible information through the launching of the aid transparency page on AusAID’s website.</td>
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<td>Manage for the impact of the Papua New Guinea national elections in 2012</td>
<td>We have a strong understanding of risks associated with the upcoming elections, and programs are pursuing several approaches to mitigate these risks. Significant efforts positioned the Electoral Support Program to deliver Australia’s contribution to improve stability, democracy and good governance by strengthening Papua New Guinea’s electoral system and supporting the electoral commission to plan for and administer secure, free and fair national-wide elections in June 2012, which are essential for stability and good governance.</td>
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<td>The enabling programs that include gender, the sub-national program, economic and public sector, Strongim Gavman Program and Strongim Pipol Strongim Nesen, will continue to improve their linkages to other AusAID sector programs. Gender equality will be central, with a focus on economic and social benefits of participation for all.</td>
<td>During 2011, the sector priorities approach was embedded into all democratic governance programs, repositioning them to contribute more directly to service delivery, particularly health, education, gender equity and disability, by supporting inclusive decision making at all levels. There was mixed success in placing gender equality at the centre of the programs and articulating how they are doing this. Democratic governance programs facilitated implementation of the Post’s focus on gender equality, including women’s economic empowerment and addressing family and sexual violence and disability inclusive development. Strongim Pipol Strongim Nesen and the Media Development Initiative build partnerships with key government departments and civil society organisations to link messaging on ending family based violence through the workforce and community to strong networks of service delivery.</td>
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<td>Continue to implement the findings of the technical adviser review</td>
<td>The 2010 review of all long-term adviser positions in Papua New Guinea agreed that around one-third of 487 positions should be phased out within two years. At 31 December 2011, 149 positions had been phased or around 82 per cent of low priority advisor positions. We are well on track to meet the target of 181 positions to be phased out by February 2013. This reduction in adviser expenditure reflects a move to reallocation funding towards direct service delivery.</td>
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<td>Adopt a much more effective and innovative approach to performance and contract management, with the ability to demonstrate the results we have achieved clearly</td>
<td>We have reduced the overall number of initiatives within the program and streamlined related administrative processes governed by these. Significant progress has been made to strengthen monitoring and evaluation with a range of stakeholders, and a clear focus on results is coming through. A number of sectors will continue to focus on issues such as appropriate indicators/targets (including P4D schedules) and clarifying expectations with partners. A performance audit was not undertaken. Contract management training has been delayed until 2012. Significant progress was made across the entire program, in collaboration with Papua New Guinea and implementing partners, to ensure appropriate measures are in place to reduce the risk of fraud and manage active fraud cases.</td>
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