

MANAGEMENT RESPONSE TO THE EVALUATION OF THE HEALTH SECTOR IMPROVEMENT PROGRAM (HSIP) TRUST ACCOUNT (TA)

In February 2022, the Australian Department of Foreign Affairs and Trade (DFAT) commissioned an evaluation of Australia's support to the Papua New Guinea (PNG) Health Sector Improvement Program (HSIP) Trust Account (TA). The evaluation covered the implementation period from 2013 to 2022.

The evaluation assessed DFAT's contribution to the health sector through the HSIP TA mechanism, and assessed the effectiveness, efficiency and relevance in several areas. The objectives of the HSIP TA were to a) increase access for the poor to effective health services in rural areas; b) increase the absorptive capacity of the health sector to achieve PNG Government's commitment to its National Health Plan on a sustainable basis; and c) improve performance and governance of the HSIP.

The evaluation was of moderate quality and the analysis lacked depth and was limited in scope. The recommendations are unclear, and the wording used conflates the financial mechanism (the trust account or HSIP TA); the program of work to implement national priorities (the HSIP or Sector Wide Approach (SWAp)); and the agreement between DFAT and National Department of Health (NDoH) to use the trust account (the Direct Financing Agreement). The report missed the role of the PNG Government to drive national priorities and donor coordination and fell short in providing DFAT with concrete options for direct financing, instead strongly advocating to continue pursuing a pooled funding approach.

In 2012, the HSIP TA was redesigned as a SWAp. DFAT agrees with the principle of pooled funding, but the capacity of the PNG health sector to implement a SWAp is currently insufficient. There are historical issues with the financial management of the HSIP TA that remain a constraint for donors to use. This further reduces the likelihood of a multi-donor pooled funding approach. The HSIP TA as a mechanism for direct financing, which DFAT adopted in the later parts of the implementation period, is a more practical option for funding earmarked activities in the health sector.

The evaluation provided nine recommendations for DFAT to consider. This document outlines DFAT's response to the recommendations.



Individual management response to the recommendations

RECOMMENDATIONS	DFAT RESPONSE	COMMENTS	ACTION PLAN	TIME FRAME
<p>Recommendation 1: DFAT continue to support Health Sector Improvement Program (HSIP) as the Government of Papua New Guinea (GoPNG) National Department of Health (NDoH) Sector Wide Approach (SWAp)</p> <p>Through Health Sector Aid Coordination Committee (HSACC) and the Health Sector Partnership Committee (HSPC), DFAT advocate for and support the SWAp mechanism, and encourage other health sector donors to engage with the NDoH in the SWAp, and use it as a mechanism for donor contributions, coordination and engagement on health sector priorities.</p>	<p>Disagree</p>	<p>It is unclear whether the recommendation is advocating for greater use of the HSIP TA (Trust Account) as a mechanism to deliver funding through government systems or for a return to pooled funds for a program of work.</p> <p>A successful SWAp needs to be government led. NDoH has not provided a program of implementation for pooled funding and NDoH’s mechanism for donor coordination and engagement, the HSACC (which replaced the HSPC) has not met since 2022.</p> <p>HSIP never fully achieved the aim of being a functional SWAp. The evaluation found that utilisation of DFAT’s support was mostly ineffective and inefficient. DFAT’s view is that significant further work is required to strengthen the HSIP TA and its processes.</p> <p>DFAT will continue to work with NDoH to support coordination where possible.</p>	<p>DFAT is currently considering its future engagement in the HSIP TA through the Health Partnership Strategy – a new strategic framework for DFAT’s bilateral health investments in PNG 2024 – 2034.</p> <p>DFAT is supporting NDoH with the recruitment of positions for its new restructure. This includes positions in a new <i>Aid Management and Partnership Coordination Division</i>. Once a new team is in place, DFAT and other donors can engage with NDoH to understand NDoH’s position regarding pooled funding and SWAp approaches.</p>	<p>June 2025</p>



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<p>Recommendation 2: DFAT continue to deliver direct funding through the HSIP TA Pooled Fund.</p> <p>To maximise the effectiveness and efficiency of this approach, DFAT should commence a design process to inform the next Direct Financing Agreement (DFA) and include the following (see 2.1 to 2.7 below):</p>	<p>Partially agree</p>	<p>The HSIP redesign was based on implementation of the 2011-2020 National Health Plan (NHP). Since the development of the new 2021-2030 NHP, there has been no re-design of a program of work for a pooled fund. It is unlikely that NDOH will develop one until after their departmental restructure is complete and there is capacity to do so.</p> <p>In the absence of a designed sector program of work to support, DFAT is considering how best to utilise the mechanism going forward.</p> <p>HSIP TA can be a useful mechanism to channel funds directly to NDOH (national and subnational), particularly in emergencies (i.e. COVID response). Any future DFA will be informed by DFAT’s previous experience (DFA 2013 – 2023), lessons learned, findings of this evaluation and future requirements.</p>	<p>DFAT is currently considering its future engagement in the HSIP TA through the Health Partnership Strategy.</p> <p>DFAT will also be undertaking an Assessment of PNG’s National Systems, including in the health sector. The findings will further inform DFAT’s thinking on options.</p>	<p>April 2024 onwards</p>
<p>2.1 Encourage other donors to channel their funding through the HSIP TA so it operates more effectively as an overall donor mechanism.</p>	<p>Partially agree</p>	<p>Donors have their own risk thresholds to consider when using external financial mechanisms. There are historical issues with the financial management of the HSIP TA that continue to be a constraint in the use of the trust account. Other donors need to discuss separately with NDoH the requirements and scope for direct financing.</p> <p>DFAT agrees an effective direct funding mechanism for the sector is important. However, DFAT disagrees that increasing donor funding to the HSIP TA will make it operate more effectively.</p>	<p>DFAT will continue to partner with NDoH to support its priorities in the health sector and where feasible, to provide direct financing when Public Financial Management (PFM) compliance is met and in line with future requirements.</p>	<p>Early 2025</p>

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<p>2.2 Collaborate with other donors to ensure the identified system improvements to the HSIP TA are implemented and regularly reviewed.</p>	<p>Partially agree</p>	<p>The HSIP TA is a financial instrument of the NDoH. NDoH, not DFAT, should lead discussions with donors on how to review implementation activities.</p> <p>Through the Expanded Program of Support for HSIP (EPS-HSIP), DFAT supports NDoH to strengthen some of these systems and processes. The program currently funds one Advisor and up to ten in-line positions in the HSIP team (until June 2025).</p> <p>Where feasible, DFAT will continue to support NDoH with its priorities for strengthening PFM systems and processes.</p>	<p>DFAT will continue to advocate for sustained efforts to strengthen PFM systems and processes and the HSIP TA in forums such as HSACC and others as appropriate, as well with the World Bank to improve the use and efficiency of the HSIP TA.</p> <p>In consultation with NDoH, DFAT could consider if EPS-HSIP could provide additional support to assist NDoH to improve the HSIP TA before DFAT’s support ends in June 2025. This may include working with the new <i>Trusts Division</i> who will have responsibility of managing all trust accounts.</p>	<p>June 2025</p>
<p>2.3 Update the HSIP Manual to align it with any changes in GoPNG financial system practices. For greater efficiency, aim for PFM processes and steps which are simplified to facilitate the disbursement of HSIP TA funding while balancing fiduciary risk.</p>	<p>Agree</p>	<p>DFAT agrees that the HSIP TA Manual of Procedures needs to be updated to align with GoPNG changes, including Provincial Health Authority (PHA) updates, integration into the Integrated Financial Management System and optimising the PHA Finance and Partnership Committees. Some of these changes may contribute to improved efficiency and financial risk management.</p> <p>DFAT will advocate that updates should not compromise safeguards and financial controls in the pursuit of simplification for disbursements.</p>	<p>DFAT will discuss with NDoH its preferred approach for updating the HSIP TA Manual of Procedures. DFAT may have some scope to support this piece of work under the EPS-HSIP.</p>	<p>December 2024</p>



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<p>2.4 Seek to provide greater predictability of funding to GoPNG through forward estimates in coordination with other donors.</p>	<p>Agree</p>	<p>GoPNG already coordinates requests for funding information from donors for their forward estimates through quarterly and annual reports to the Department of National Planning and Monitoring.</p> <p>In the health sector, DFAT provides budget information through the Health Financing Technical Working Group; project Steering Committees; HSACC; and other forums.</p> <p>For DFAT support to the HSIP TA, the 2013-2023 Direct Funding Agreement between DFAT and NDoH (and subsequent Exchange of Letters) outlined the financial information agreed at the time.</p>	<p>DFAT will continue, where possible, to share with GoPNG forward estimates to support predictability of funding.</p> <p>DFAT will consider further opportunities to improve dialogue and engagement with the NDoH and key government stakeholders as it finalises its new <i>PNG-Australia Health Partnership Strategy 2024-2034</i> and in the design of its future health investments.</p>	<p>April 2024 onwards</p>
<p>2.5 Collaborate and seek agreement with other donors and GoPNG on a shared approach to the current funding of Advisor support for the administration of the pooled fund through PATH and provision of technical support to the Provinces.</p>	<p>Partially agree</p>	<p>Since October 2020, through the EPS-HSIP, DFAT has funded an Advisor and up to ten in-line positions to support the operations of the HSIP TA. DFAT is working with NDoH to support the transition of those positions into the department before the end of the EPS-HSIP program in June 2025.</p> <p>The NDoH is the lead on donor coordination, including future support to the new <i>Trusts Division</i>.</p>	<p>DFAT will continue to engage the NDoH on the transition of the DFAT-supported positions into the department.</p> <p>Once the teams are in place, DFAT will engage with the new <i>Trusts Division</i> and the <i>Aid Management and Partnership Coordination Division</i> to discuss how DFAT and other donors can better support NDoH.</p> <p>DFAT will continue to engage with other donors on cost-sharing.</p>	<p>June 2025</p>



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<p>2.6 With other development partners and GoPNG, discuss the option and viability of funding an allocated Gender Equality, Disability and Social Inclusion (GEDSI) advisor position in the HSIP TA secretariat who can work directly with NDOH and the Provinces to better mainstream GEDSI in their work.</p>	<p>Agree</p>	<p>DFAT agrees that gender equality, disability equity and social inclusion were not well integrated into the work of the HSIP TA team. NDoH should consider how the new <i>Gender and Disability Section</i>, under the Public Health Branch, can support across NDoH (including with the new <i>Trusts Division</i>) and provinces to better mainstream GEDSI in their work.</p> <p>The PNG-Australia Transition to Health (PATH) program is contractually required to incorporate GEDSI into all activities, including the ESPHSP. Through the <i>Sapotim Lida</i> program, under PATH, DFAT is working with PHAs to establish GEDSI committees, draft GEDSI policies and identify PHA GEDSI focal points to lead the implementation of the GEDSI annual work plan.</p>	<p>DFAT is working with PATH to support better alignment of the GEDSI program of work.</p> <p>PATH will engage with NDoH’s new <i>Gender and Disability Section</i> to understand how best DFAT can work with / support the new team in line with Australia’s priorities.</p>	<p>June 2025</p>
<p>2.7 Discuss and seek agreement with donors how to strengthen monitoring and evaluation (M&E). This can be through funding technical advisors to strengthen GoPNG M&E and reporting, and through regular independent reviews of HSIP TA performance.</p>	<p>Agree</p>	<p>DFAT agrees there is a need to strengthen M&E and to support better use of data in informing decision-making across the health sector.</p> <p>Through PATH, DFAT supported the development of the National M&E Framework for the NHP 2021 – 2030 and is supporting NDoH and key provinces to strengthen data collection and analysis to enable better decision making. There are six M&E coordinators providing further support to PHAs in six key provinces. Through the Health Services Sector Development Program, DFAT funded the roll-out, training and implementation of the electronic National Health Information System.</p>	<p>DFAT will continue to support the implementation of these existing activities that are strengthening M&E efforts of the NDoH and across the sector.</p>	<p>June 2025</p>



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		M&E improvements require that NDoH continue to coordinate with donors and share information on M&E priorities for the sector and the department.		