Official Development Assistance to Papua New Guinea

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Purpose

• Explore ‘big picture’ trends and characteristics of development assistance to PNG (focused on ODA)
• Compare these trends and characteristics to those of other countries
• Use these observations to consider the relevance of, and progress against, the international aid effectiveness agenda (Paris Declaration etc)
Official Development Assistance

- Official Development Assistance (ODA) consists of flows to developing countries and multilateral institutions provided by official agencies, which include state and local governments of OECD DAC member countries, as well as multilateral organisations such as the ADB.

- ODA must be administered with the promotion of economic development and welfare of developing countries as the main objective.
International aid effectiveness agenda

• There has been a ‘scale up’ in development assistance around the world.

• Principles:
  • Ownership
  • Alignment to government priorities
  • Harmonisation - donors coordinate and simplify procedures
  • Results-based

• Implications:
  • Increased use of government systems + programmatic approach
  • Budget support viewed positively
  • Less of a role for technical assistance (Easterly)
  • Aid to be provided in a predictable manner (partnership)
ODA to PNG from all donors, 1975-2013

GDP per capita, Kina 2000 prices

USD million, 2012 constant prices
Official Development Assistance (Index, 1975 = 100)

- Papua New Guinea
- Pacific island countries other than PNG
- Sub-Saharan Africa
- Other developing countries
- Far East Asia
PNG receives the least ODA per capita in the Pacific
Aid dependence

ODA to PNG is below the average for lower-middle income countries, which is 6.55%
Aid dependence has declined over time.
Coordination and Fragmentation

“High fragmentation can have negative implications for aid quality for several reasons: high transaction costs for recipients because more time is taken meeting donor requirements; too many small projects, with consequent limited opportunities to reap scale economies; and smaller or narrower donor stakes in overall country outcomes. A large number of donors also compounds the challenge of donor coordination.”

- IMF and World Bank, 2006
Coordination of aid efforts

- Coordinated missions/all missions
- Coordinated analytic works/all analytic works
- Coordinated technical cooperation spending/all technical cooperation spending

<table>
<thead>
<tr>
<th>Region</th>
<th>Coordinated missions</th>
<th>Coordinated analytic works</th>
<th>Coordinated technical cooperation spending</th>
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<tbody>
<tr>
<td>Papua New Guinea</td>
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<tr>
<td>Pacific region (incl Timor-Leste)</td>
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<tr>
<td>All recipients</td>
<td></td>
<td></td>
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<tr>
<td>Sub-Saharan Africa</td>
<td></td>
<td></td>
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<tr>
<td>Far East Asia</td>
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Paris target:
- Coordinated missions
- Coordinated analytic works
- Coordinated technical cooperation spending
## Fragmentation

Aid Fragmentation, Herfindahl-Hirschman Index, 2008  
(higher scores indicate less fragmentation; unweighted average across countries)

<table>
<thead>
<tr>
<th>Region / country</th>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>0.297</td>
</tr>
<tr>
<td>Far East Asia</td>
<td>0.32</td>
</tr>
<tr>
<td>South and Central Asia</td>
<td>0.302</td>
</tr>
<tr>
<td>Pacific islands</td>
<td>0.51</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>0.70</td>
</tr>
</tbody>
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Source: Calculated using OECD DAC data and analysis by Pfutze (2010)
Top 20 donors to PNG (percentage share of total)

- Australia: 72.99%
- Other donors: 0%

Donors: Australia, ASDB Special Funds, Global Fund, IDA, New Zealand, United States, OFID, EU Institutions, GAVI, UNFPA, UNDP, UNICEF, United Kingdom, Norway, WHO, Germany, Korea, Austria, UNAIDS, IFAD
Chinese development assistance in the Pacific, 2006-13

US Dollars, millions (current prices)

- Cook Islands
- Fiji
- FSM
- Niue
- PNG
- Samoa
- Timor Leste
- Tonga
- Vanuatu

Percentage of total ODA
## Aid volatility

<table>
<thead>
<tr>
<th><strong>Region / country</strong></th>
<th><strong>Coefficient of variation (2002-12)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>(unweighted average across countries)</td>
<td></td>
</tr>
<tr>
<td>Pacific (incl. Timor Leste)</td>
<td>0.34</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>0.55</td>
</tr>
<tr>
<td>East Asia</td>
<td>0.1</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>0.16</td>
</tr>
</tbody>
</table>
Result is driven by the concentration of development assistance

Scale and volatility of ODA from development partners, 1970-2012

\[ y = -24.6 \ln(x) + 14.879 \]

\[ R^2 = 0.3262 \]
Predictability of aid to PNG is quite good

The Predictability of Country Programmable Aid to PNG: Planned vs actual disbursements

- CPA, actual disbursements
- Planned CPA, 2008 forward estimates
- Planned CPA, 2009 forward estimates
- Planned CPA, 2010 forward estimates
- Planned CPA, 2011 forward estimates
- Planned CPA, 2012 forward estimates

2012 USD, millions

... compared to the rest of the Pacific
... as can be seen at the country-level in Tonga, Solomon Islands, and Tuvalu.
The changing sectoral composition of Australian ODA to PNG
Technical assistance: The governance years

Share of Australian ODA to PNG delivered as TA, 1975-2013
Budget support is history
Programme-based approaches (percentage of aid disbursed)

- Papua New Guinea: 29%
- Pacific region (incl. Timor-Leste): 35%
- All recipients: 52%
- Sub-Saharan Africa: 58%
- Far East Asia: 66%

Programme based approach

Paris target
1. Development funding to PNG is surprisingly low

– ODA has declined over time in PNG, in contrast to other countries and regions

– Although this fall was envisaged at independence, it was thought per capita incomes would also increase rapidly. This has not eventuated

– PNG is not an ‘aid orphan’, but it is provided with low levels of aid relative to other PICs, and arguably also given its development indicators
Key messages (ii)

2. Certain elements of the international aid effectiveness agenda have little relevance in PNG

- Donor coordination is not as important as in other countries
  - ODA to PNG shows low levels of fragmentation, with the majority (>70%) of development assistance provided by a single development partner

- Overall levels of aid to PNG are predictable, and volatility is low by regional standards
Key messages (iii)

3. Other elements of the international aid effectiveness agenda have had little impact on assistance in PNG

- The call for greater use of government systems is not reflected in OECD DAC statistics
- Budget support, despite once being the dominant aid modality, has effectively been abandoned in PNG
- Technical assistance remains central to Australian aid to PNG
Thank you

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References

- DFID, 2000, Aid Policy Statement
- EU, 2008, *Methodology for Evaluation of Budget Support at the Country Level*
- OECD DAC, 2014, Creditor Reporting System database