



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

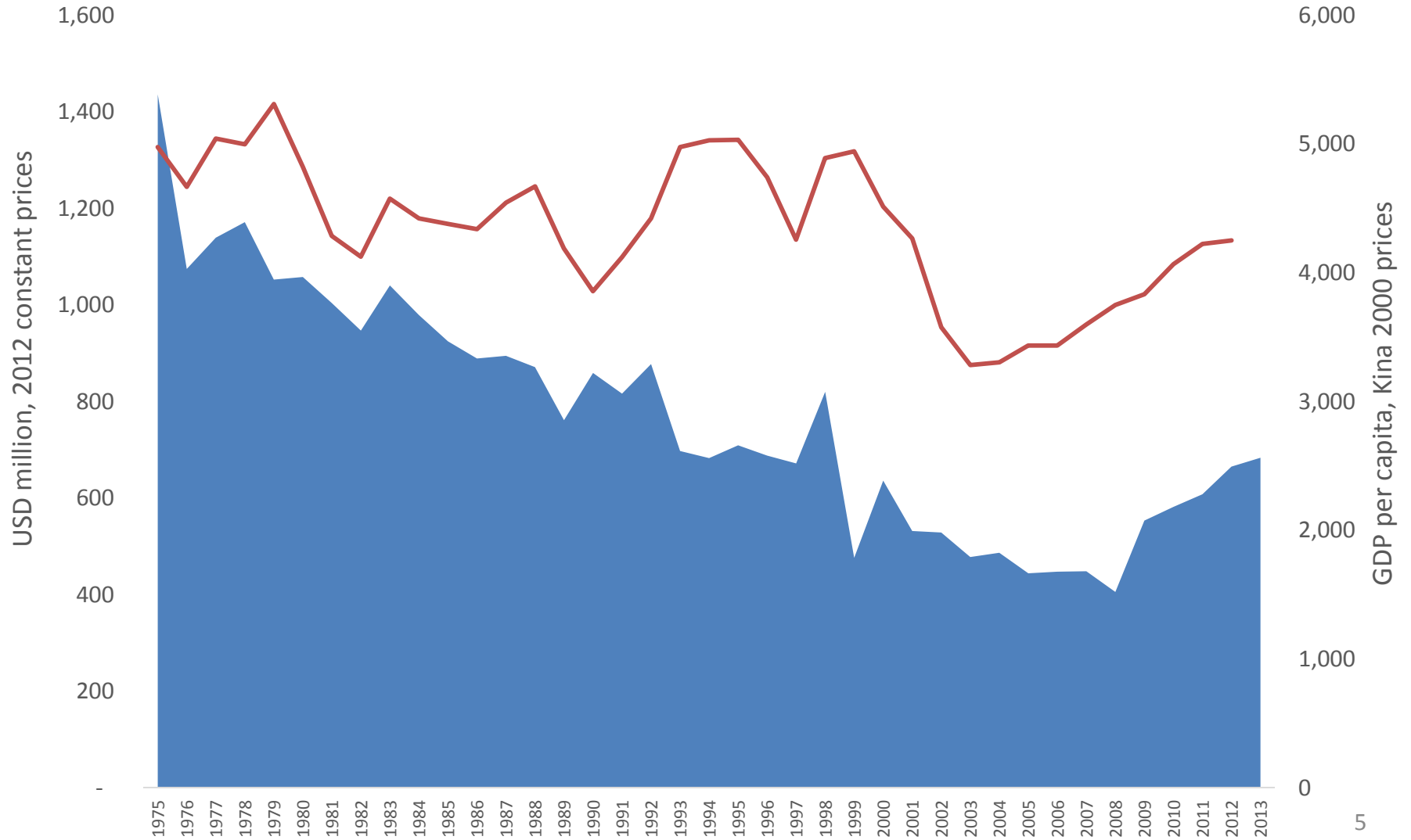
- Official Development Assistance (ODA) consists of flows to developing countries and multilateral institutions provided by official agencies, which include state and local governments of OECD DAC member countries, as well as multilateral organisations such as the ADB.
- ODA must be administered with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

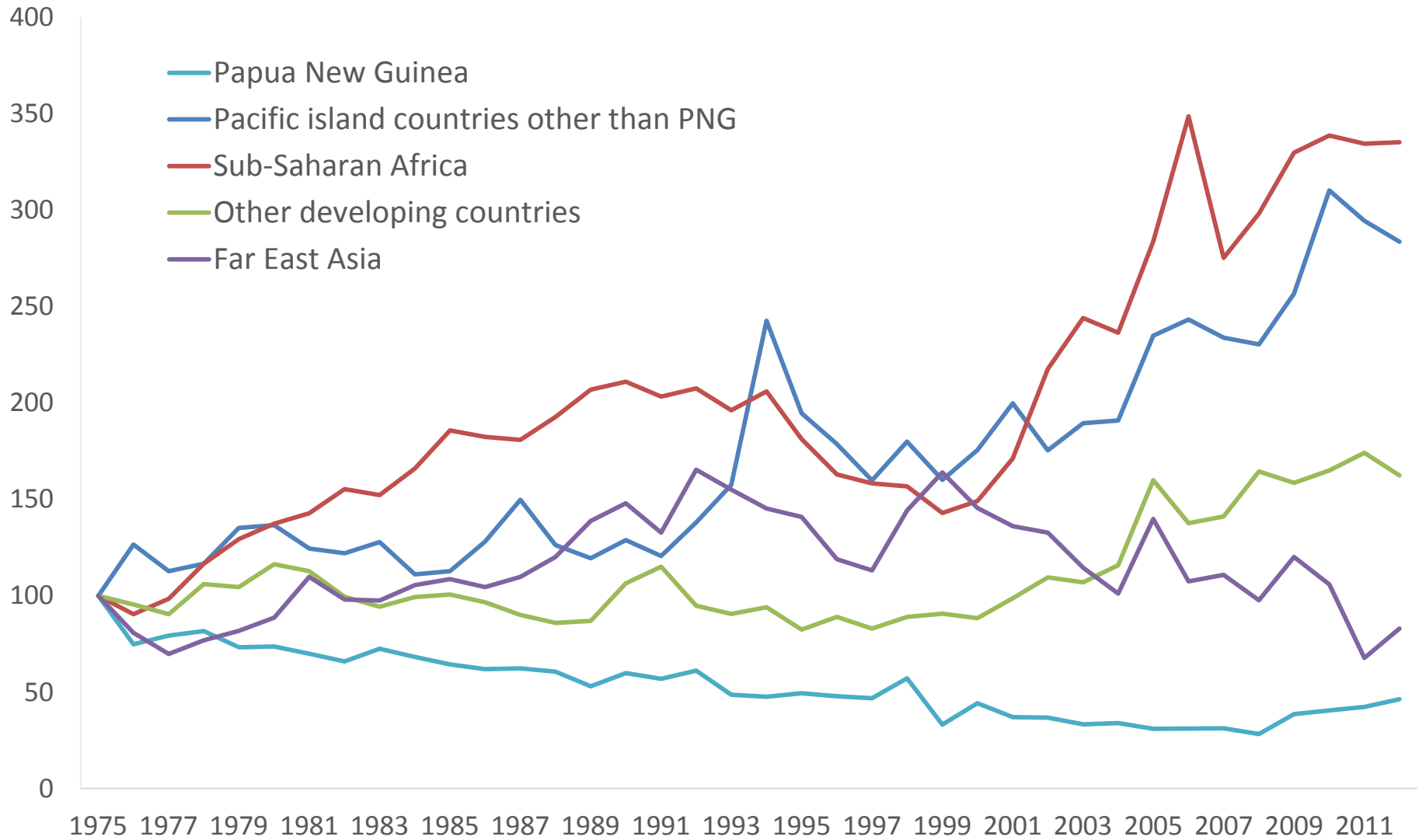


ODA to PNG from all donors, 1975-2013

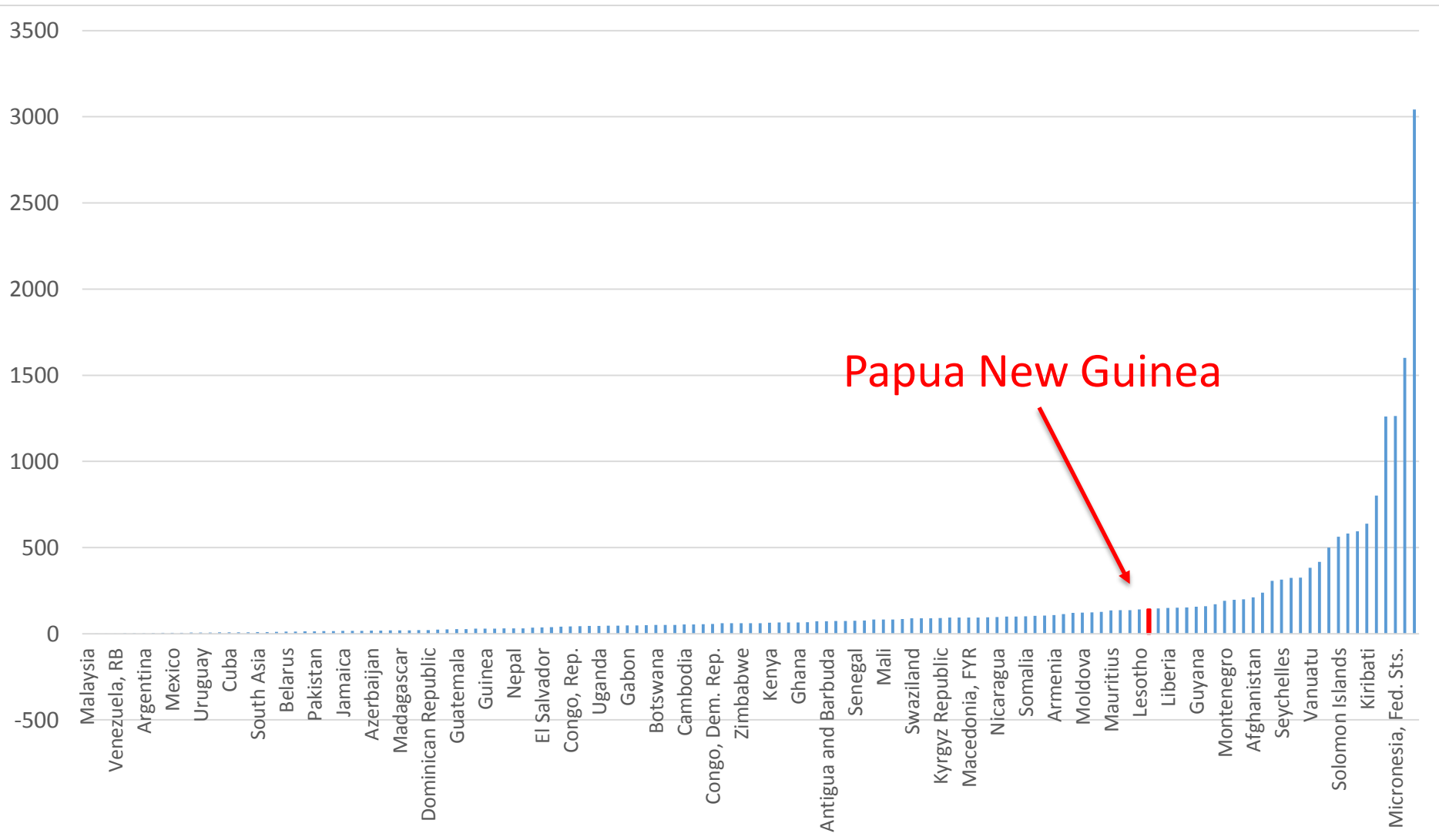




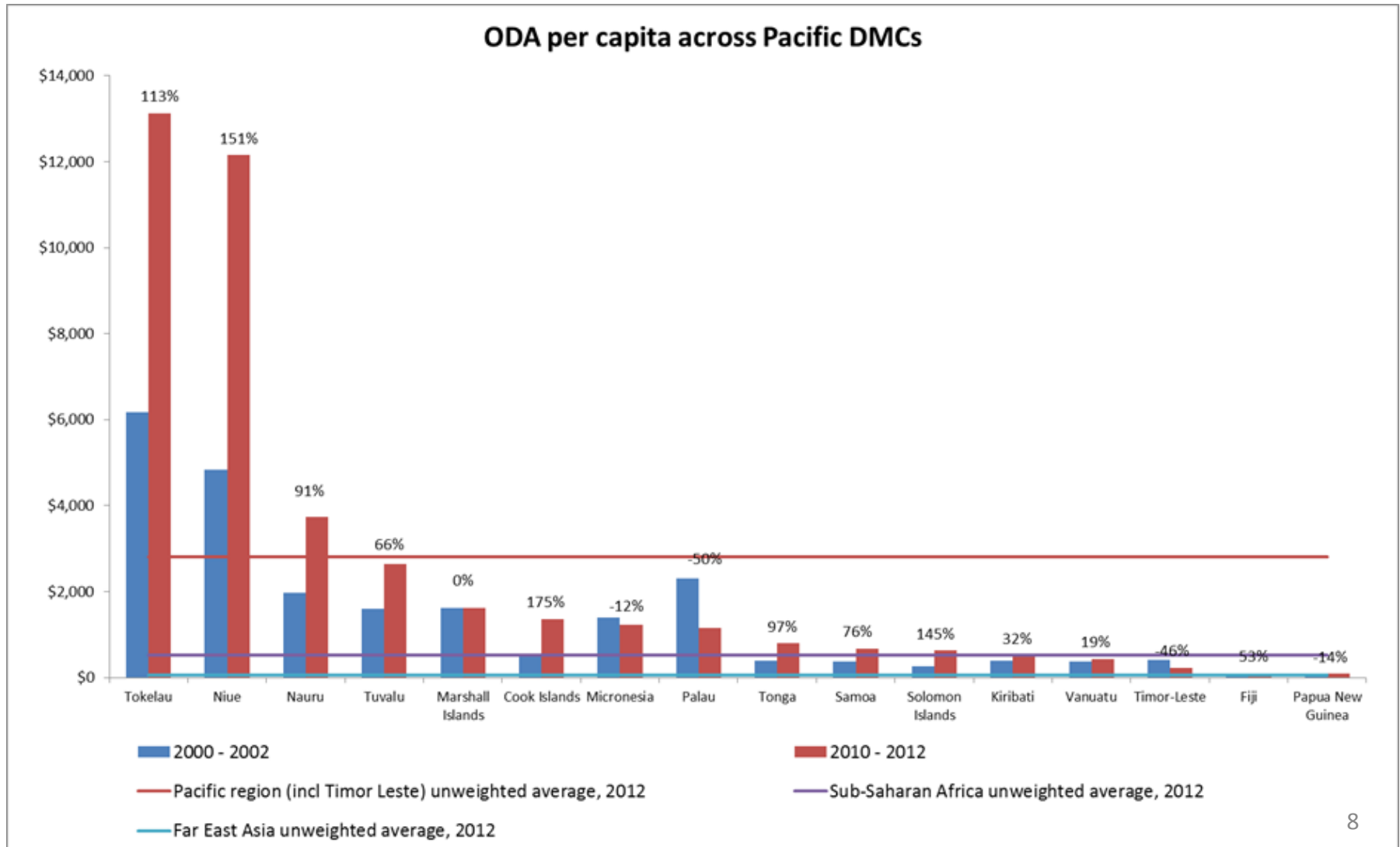
Official Development Assistance (Index, 1975 = 100)



Official Development Assistance per capita

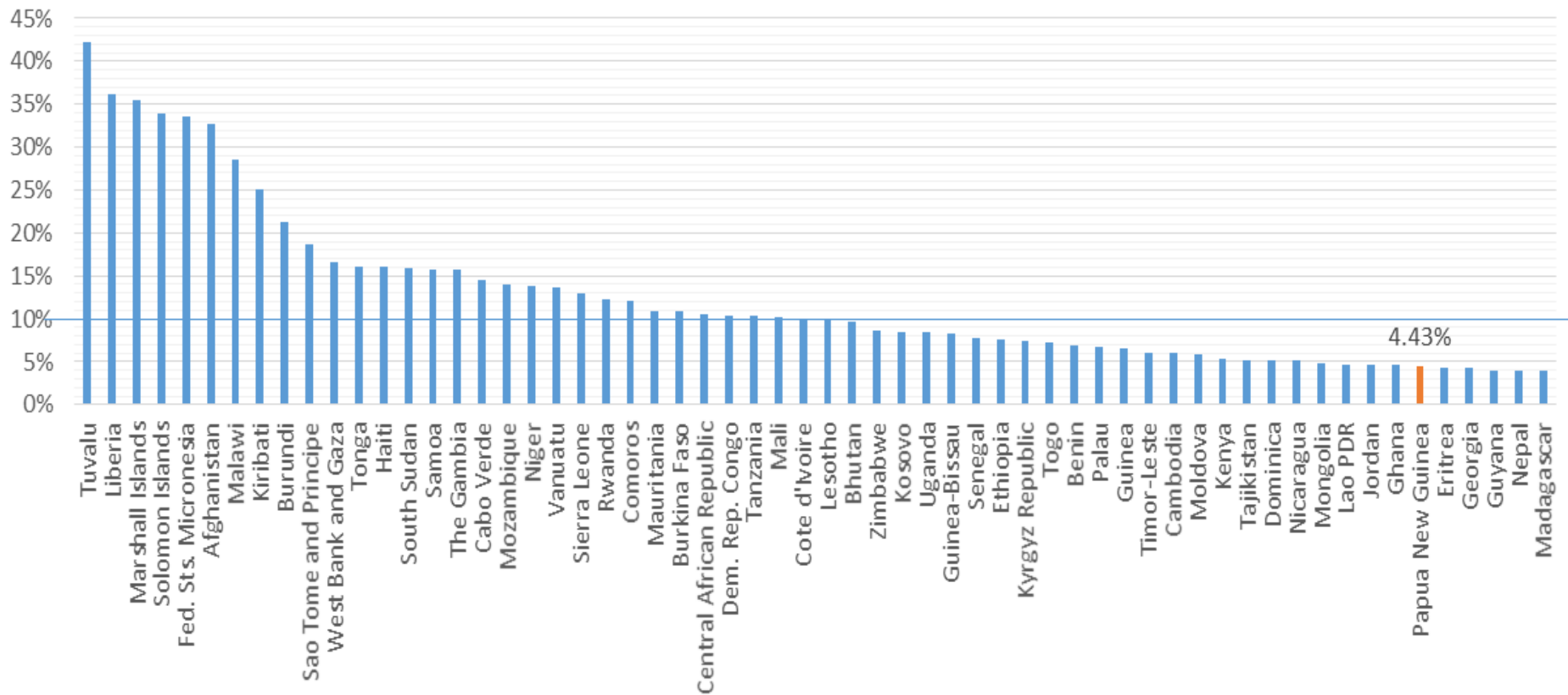


PNG receives the least ODA per capita in the Pacific



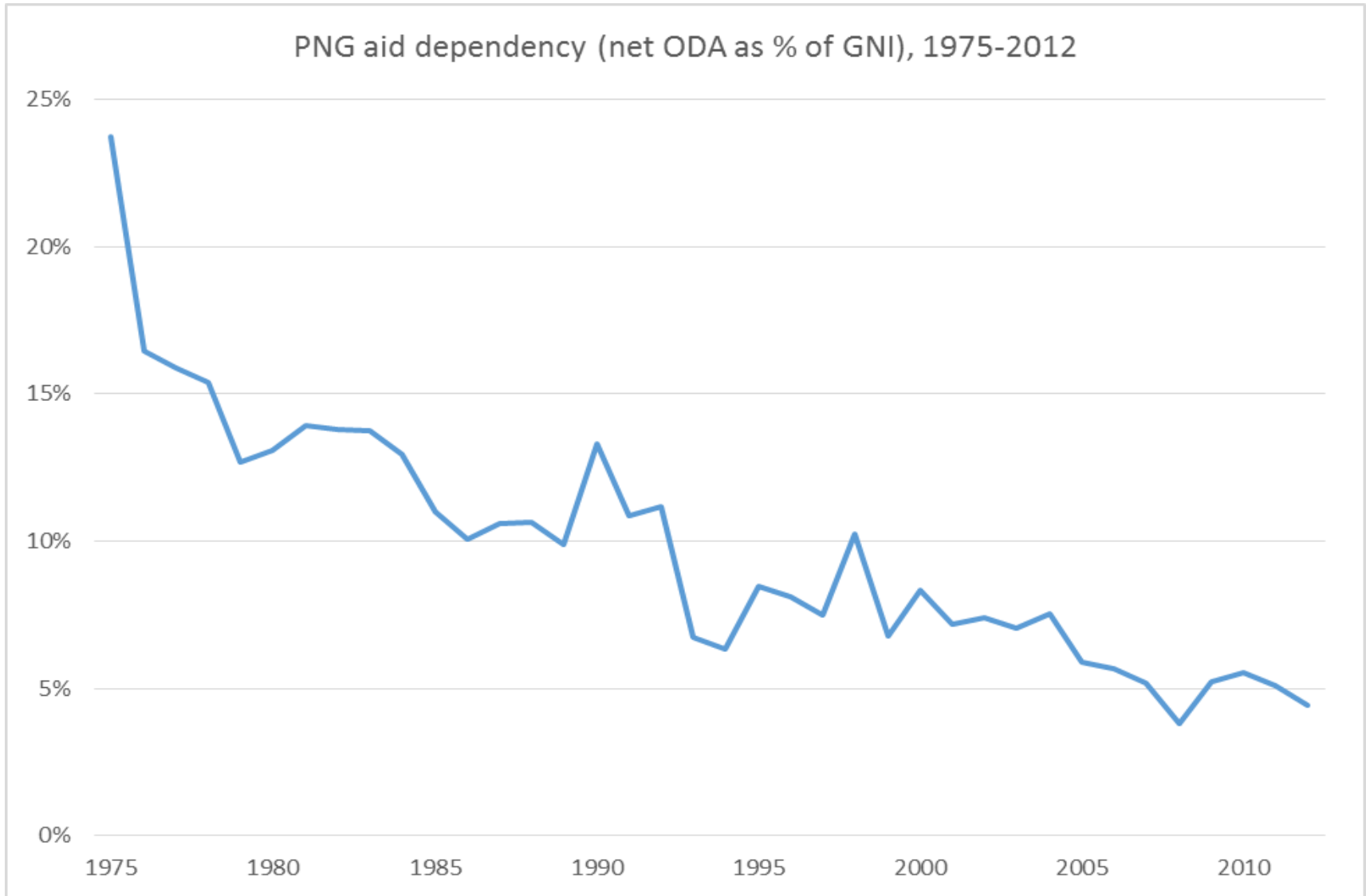
Aid dependence

Aid dependency (aid/GNI), top 60 most aid-dependent (2012)



ODA to PNG is below the average for lower-middle income countries, which is 6.55% 9

Aid dependence has declined over time

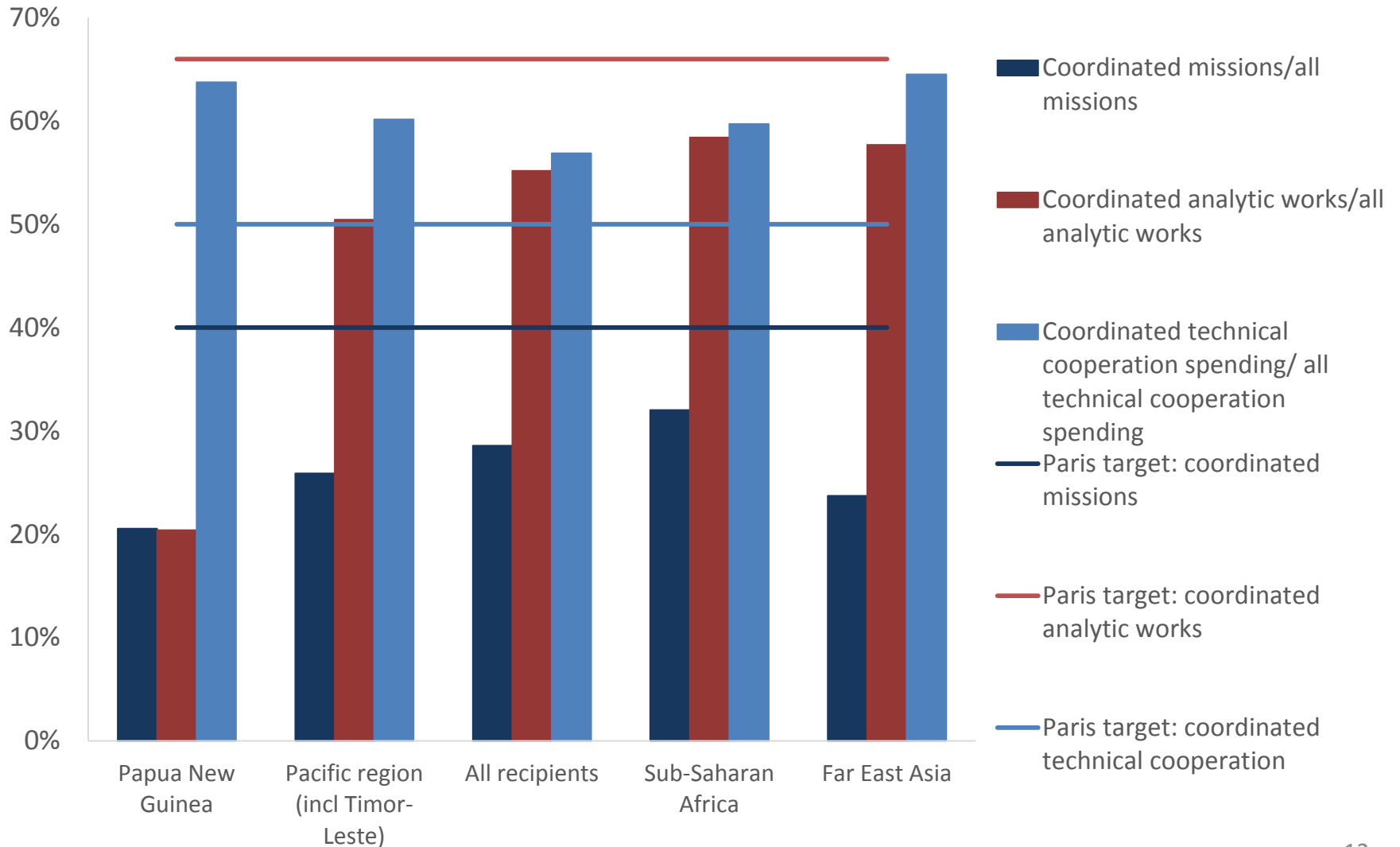


Coordination and Fragmentation

“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



Fragmentation

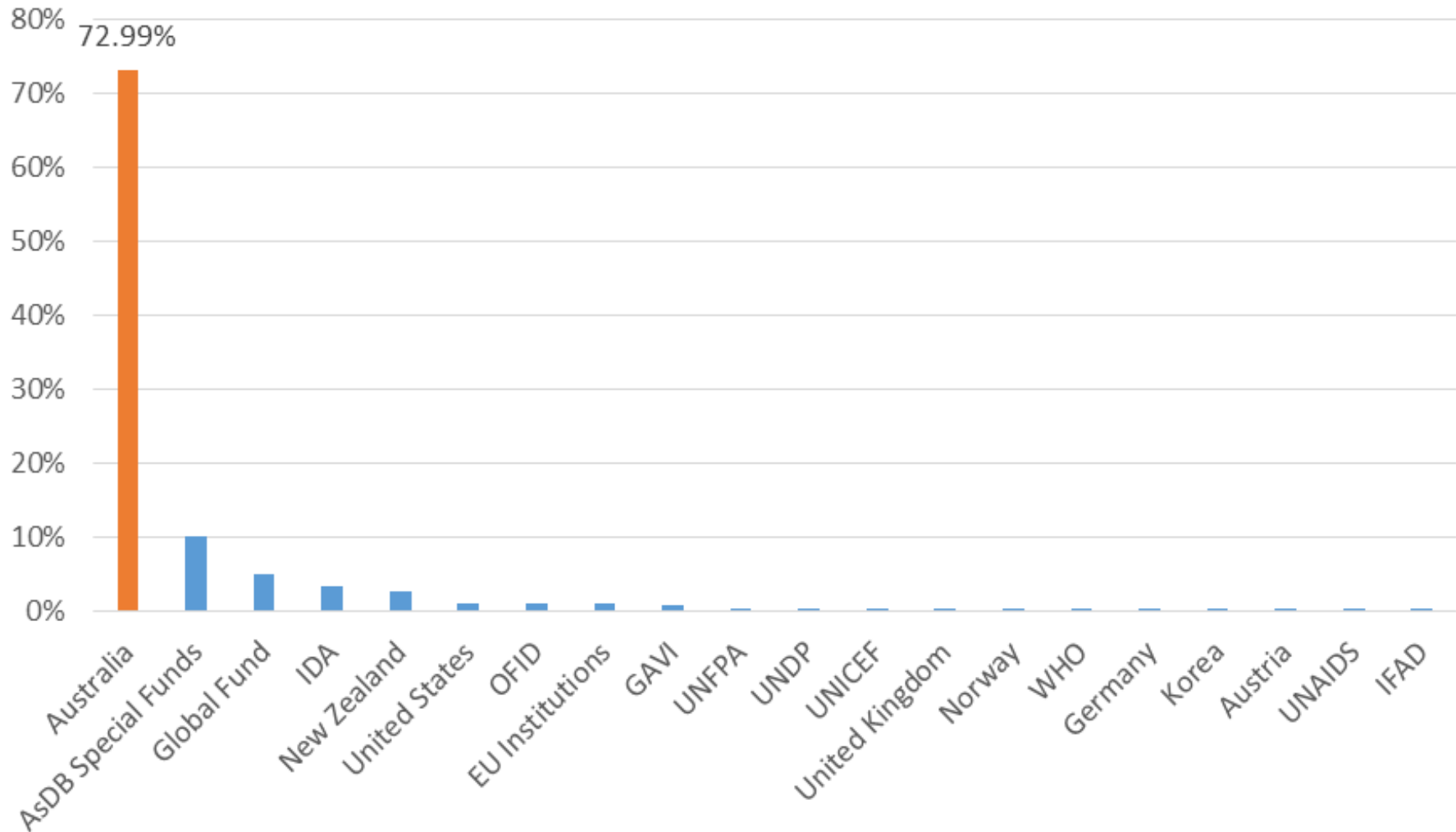
Aid Fragmentation, Herfindahl-Hirschman Index, 2008

(higher scores indicate less fragmentation; unweighted average across countries)

Region / country	
Sub-Saharan Africa	0.297
Far East Asia	0.32
South and Central Asia	0.302
Pacific islands	0.51
Papua New Guinea	0.70

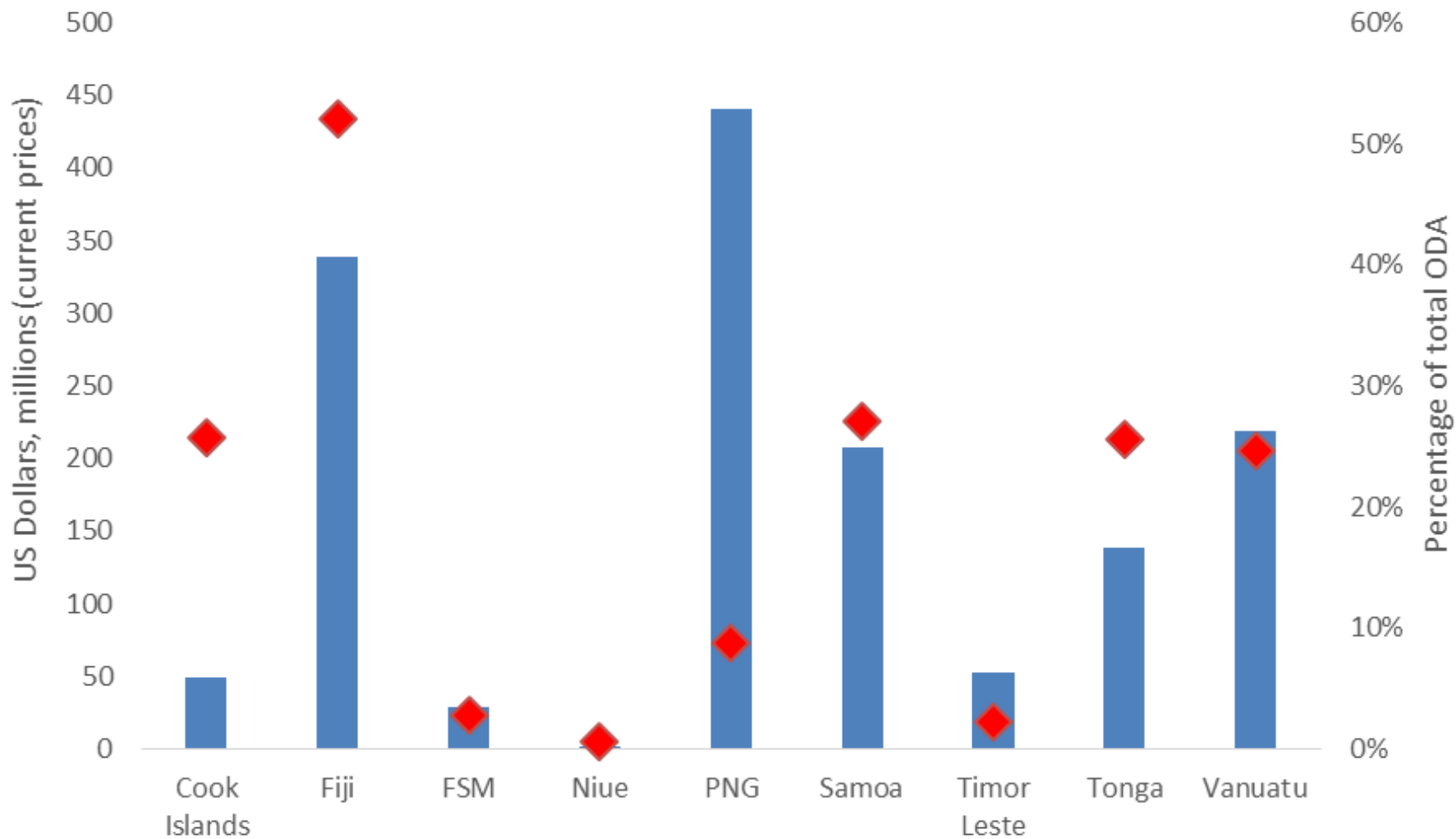


Top 20 donors to PNG (percentage share of total)





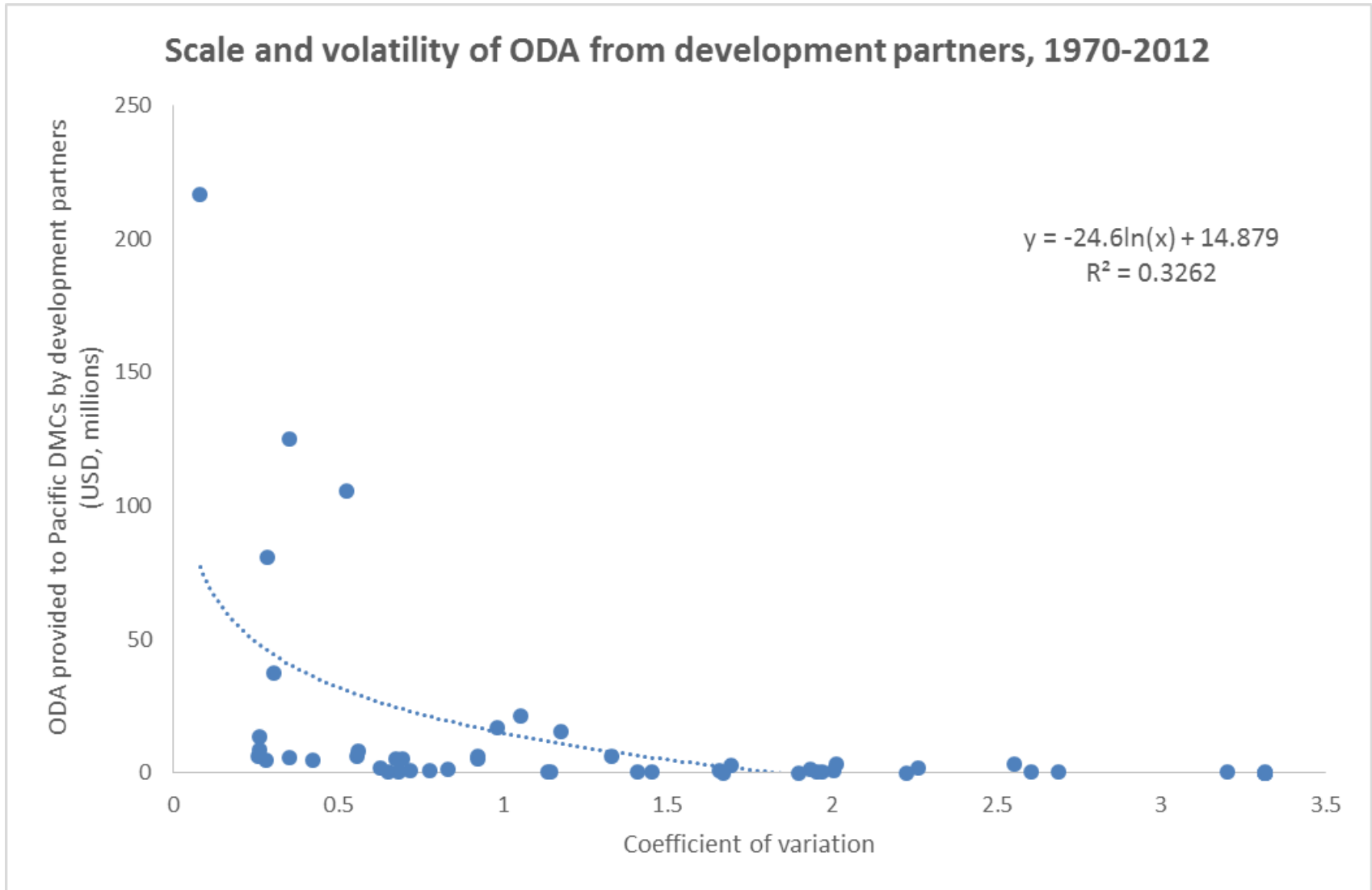
Chinese development assistance in the Pacific, 2006-13



Aid volatility

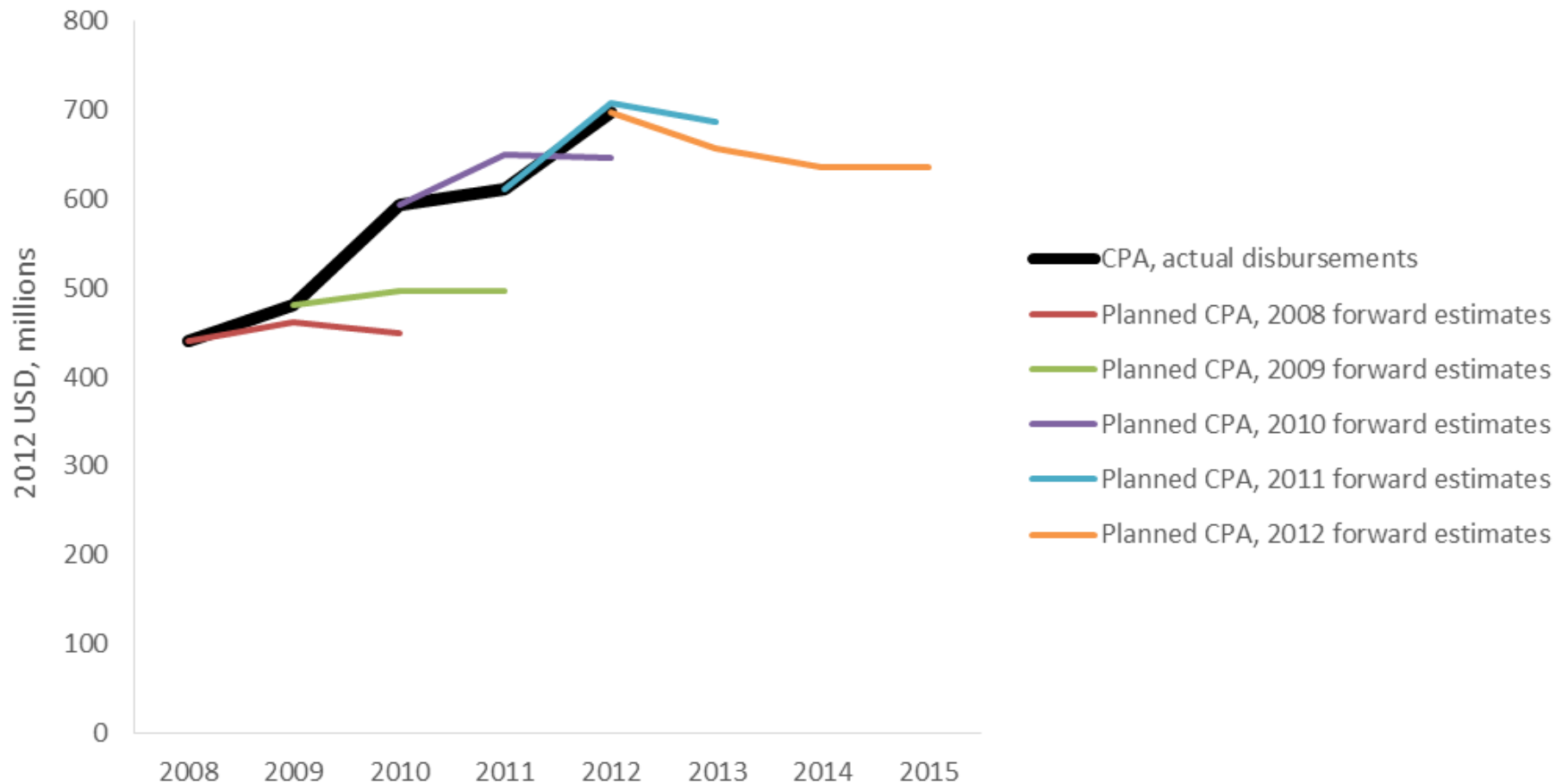
Region / country (unweighted average across countries)	Coefficient of variation (2002-12)
Pacific (incl. Timor Leste)	0.34
Sub-Saharan Africa	0.55
East Asia	0.1
Papua New Guinea	0.16

Result is driven by the concentration of development assistance

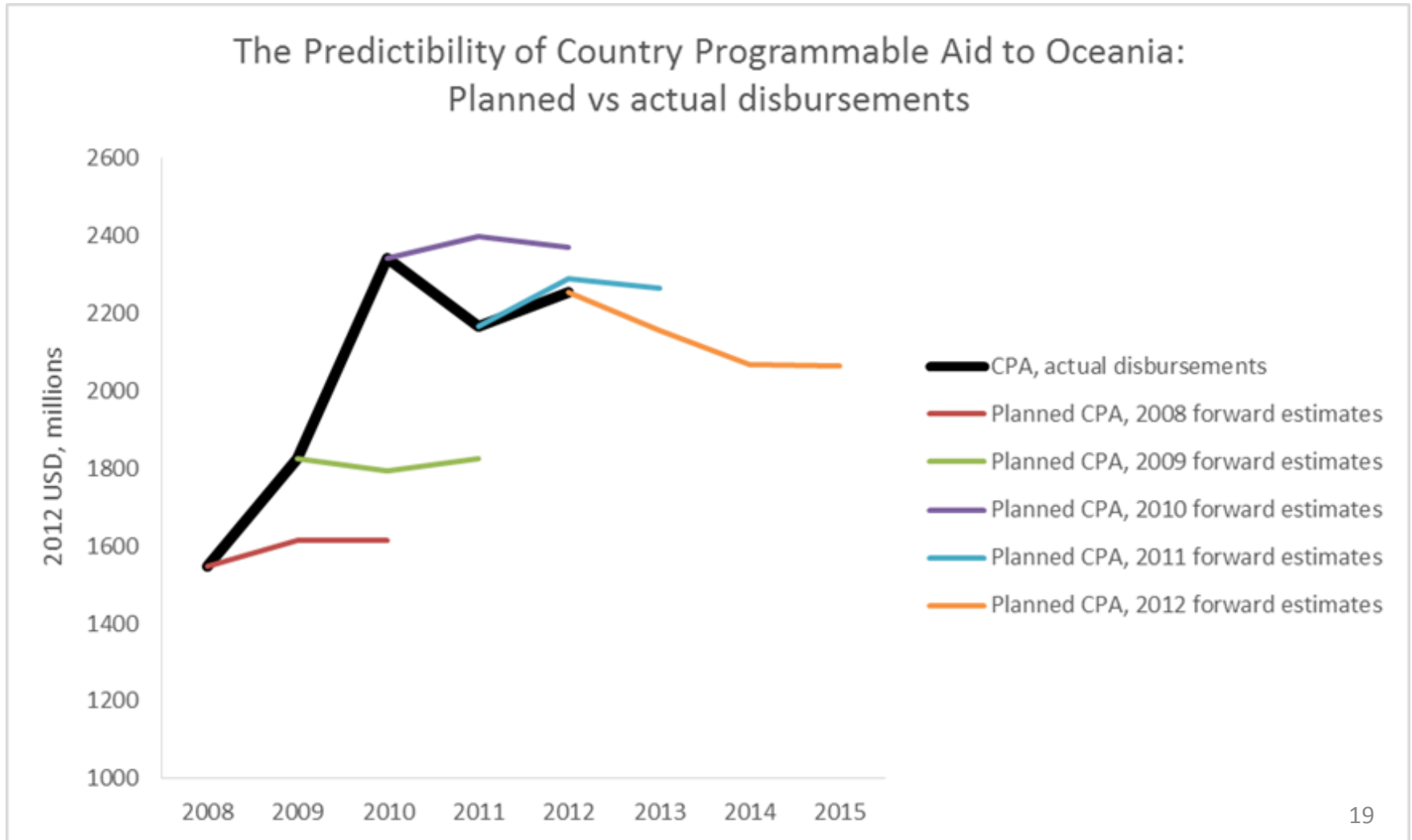


Predictability of aid to PNG is quite good

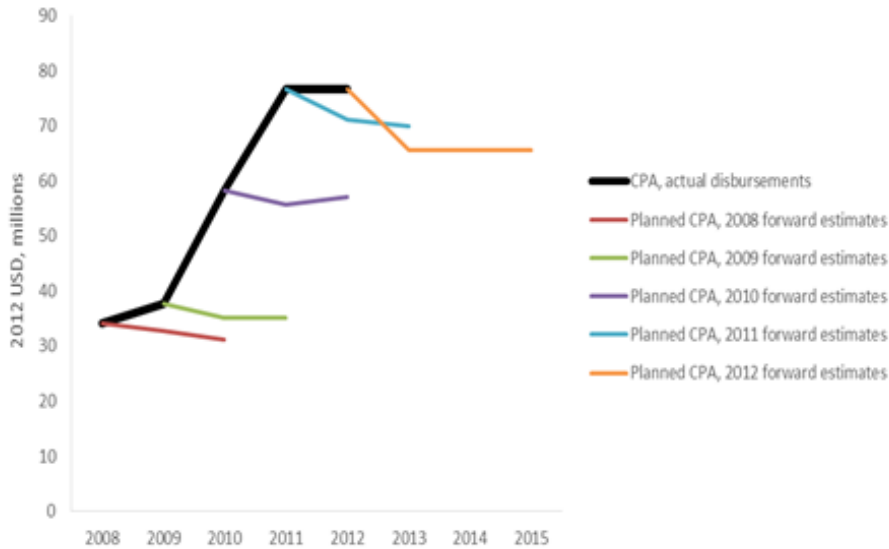
The Predictability of Country Programmable Aid to PNG:
Planned vs actual disbursements



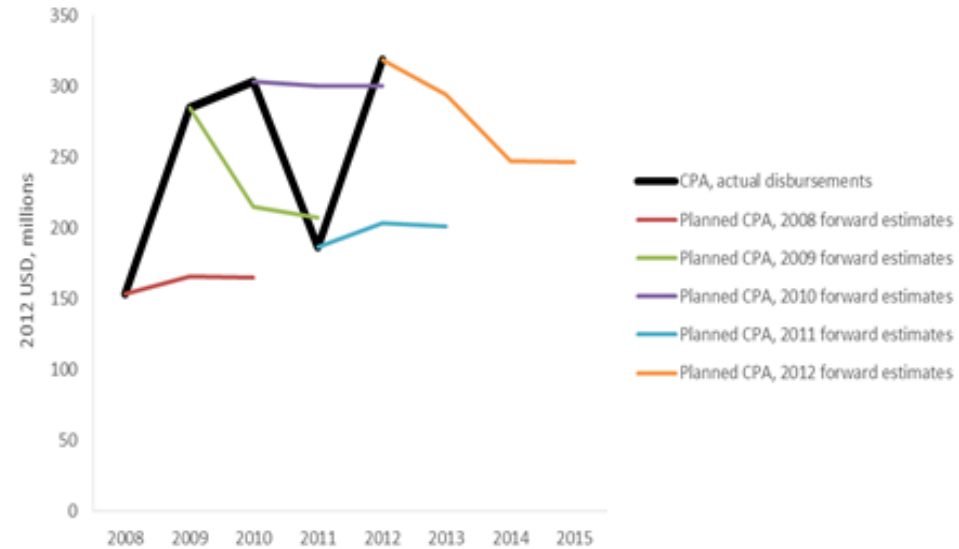
... compared to the rest of the Pacific



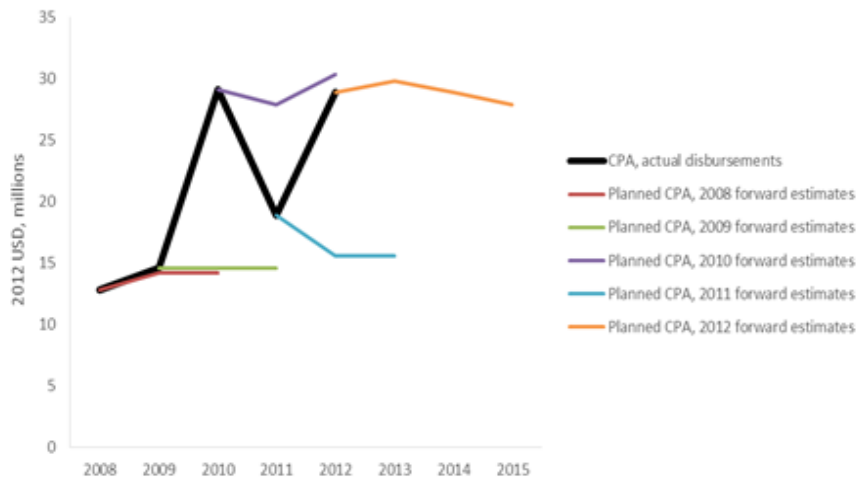
The Predictability of Country Programmable Aid to Tonga:
Planned vs actual disbursements



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

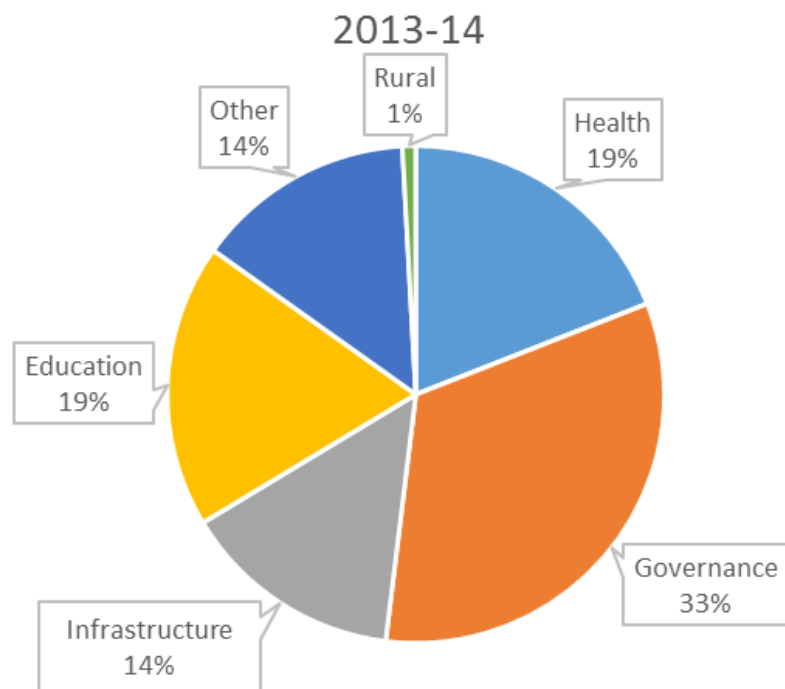
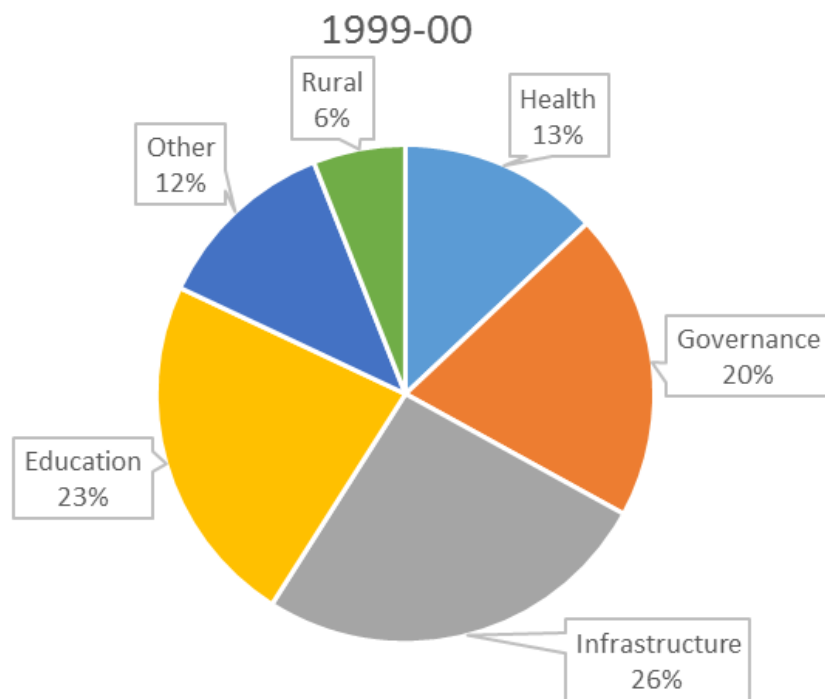


The Predictability of Country Programmable Aid to Tuvalu:
Planned vs actual disbursements

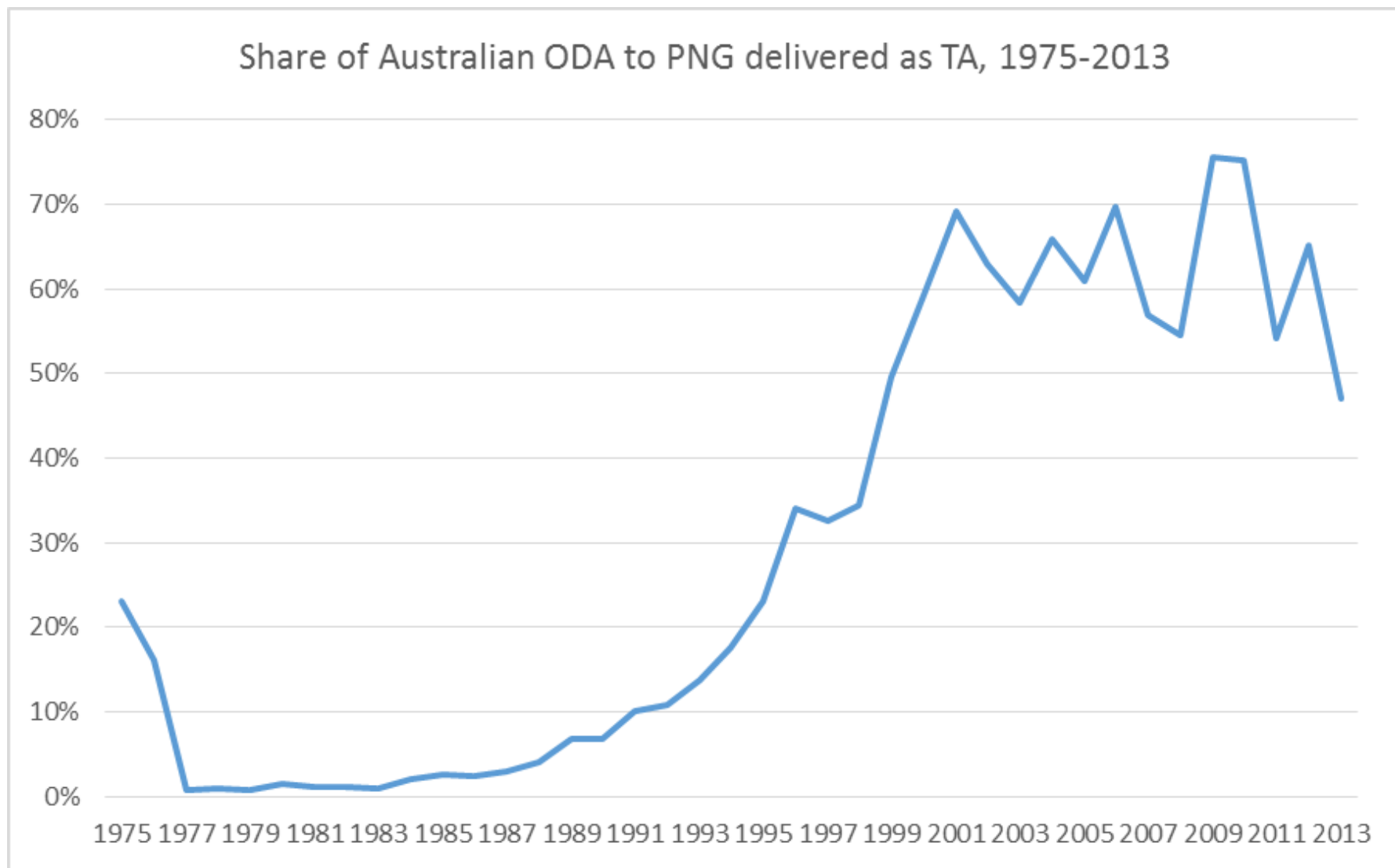


... as can be seen at the country-level in Tonga, Solomon Islands, and Tuvalu

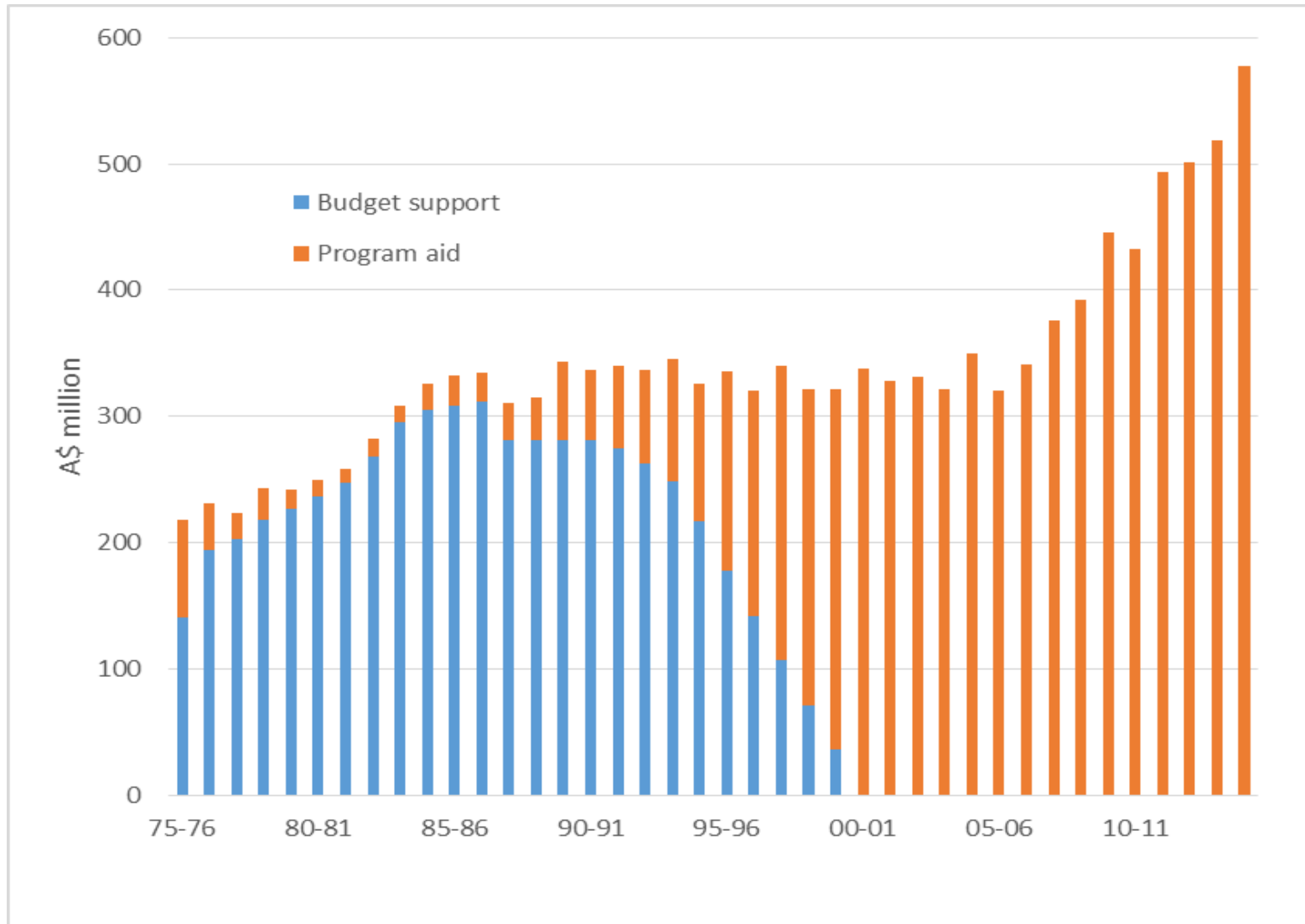
The changing sectoral composition of Australian ODA to PNG



Technical assistance: The governance years

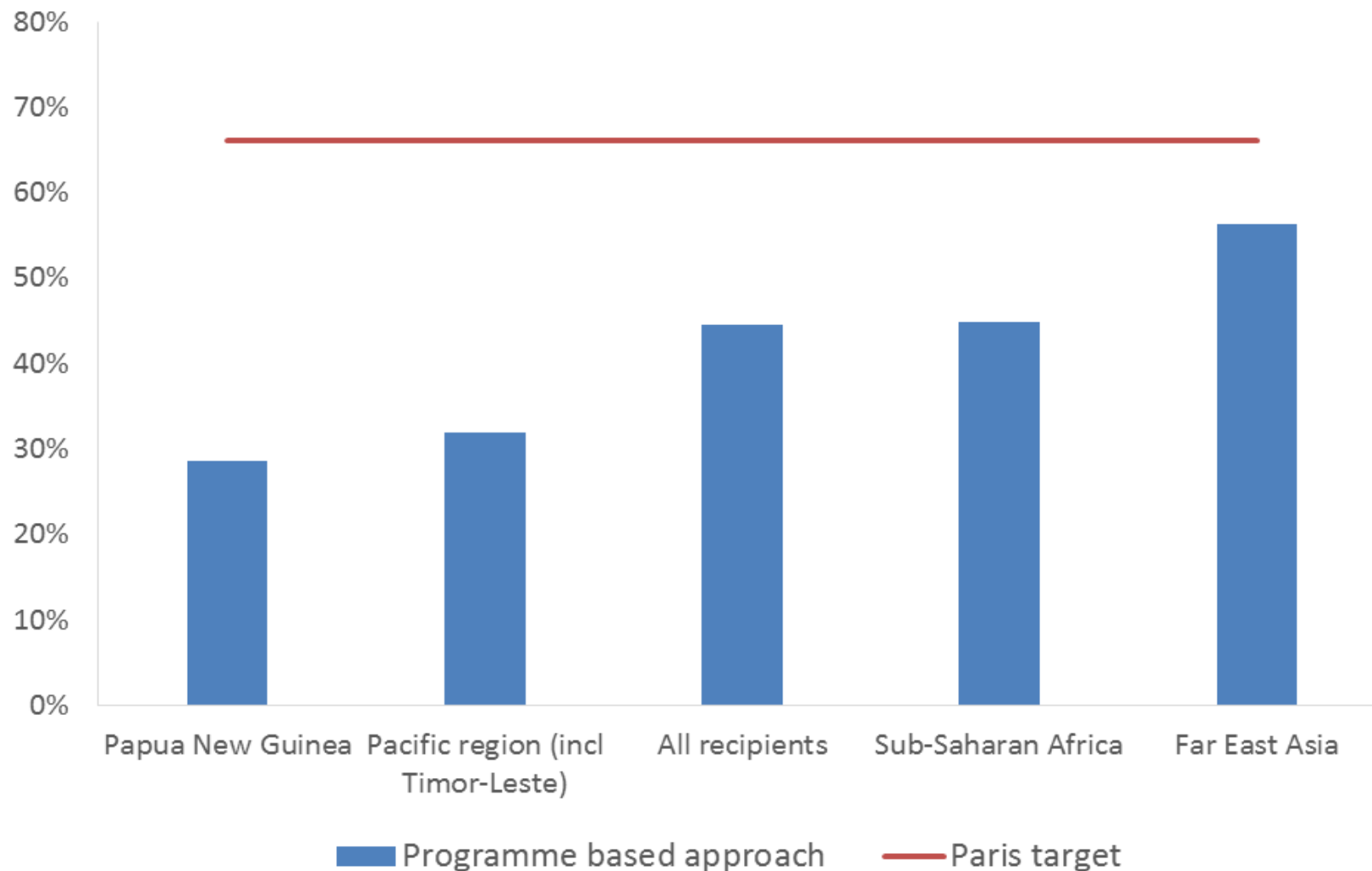


Budget support is history





Programme-based approaches (percentage of aid disbursed)



Key messages

- 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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