

Investing in Institutional Linkages with PNG

Australian Aid Conference

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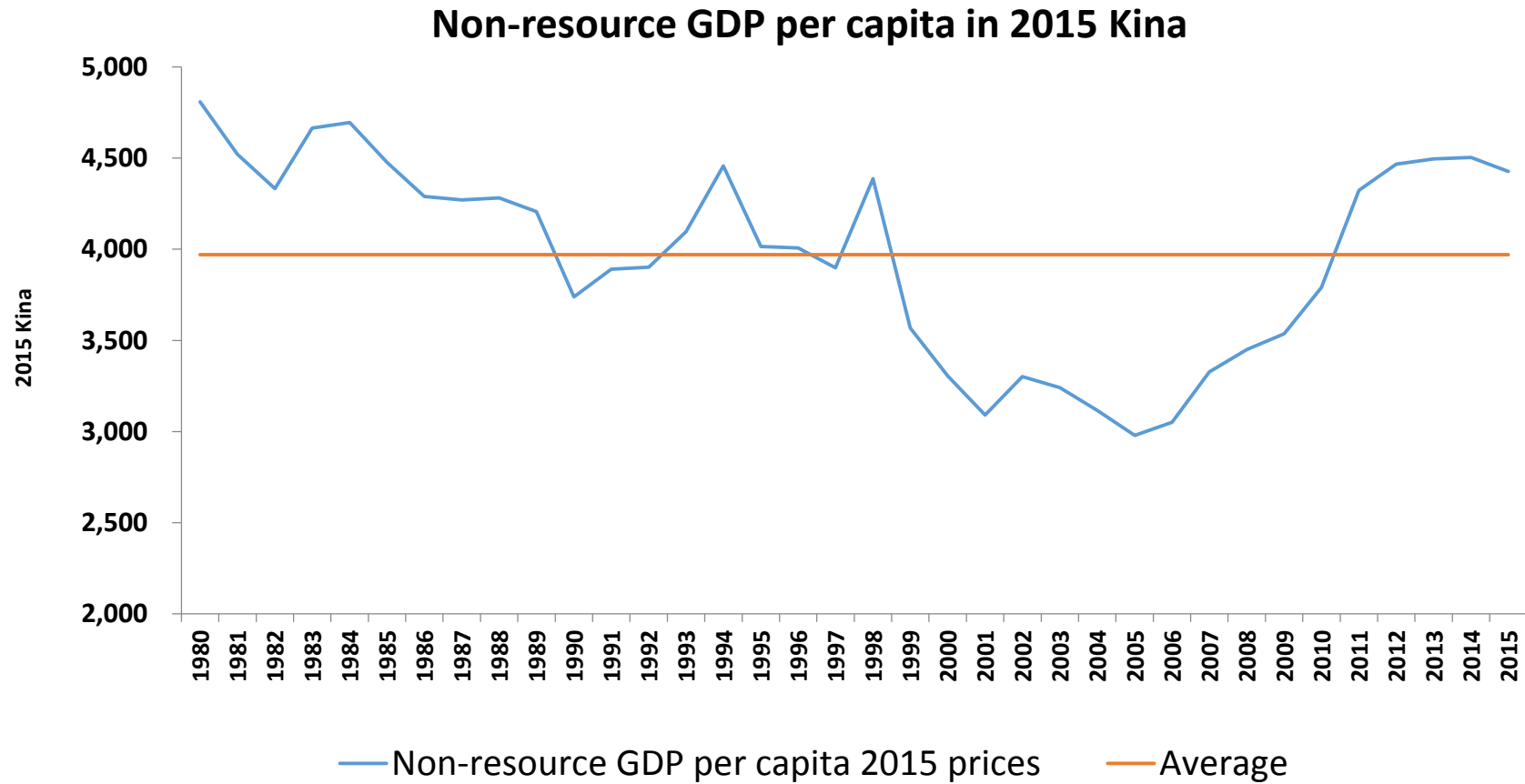
Overview

- Context
- Effective use of PNG's own resources
- Governance activities
- Institutional linkages
- Prospects

Context: Glass half full

- PNG continues as a relatively stable democracy with only one significant civil disturbance (Bougainville) since Independence in 1975
- There are now 2.6 Papua New Guineans for every 1 at Independence
- Non-resource GDP has doubled from K15.5bn in 1980 to K33.7bn in 2015 (2015 prices)
- Poverty headcount has declined from 53% in 1996 to 40% in 2009
- Life expectancy at birth has increased from 49 in 1975 to 62 in 2013
- The under 5 mortality rate dropped from 124 per per 1,000 in 1975 to 59 in 2014
- The primary school completion rate increased from 42% in 1987 to 78% in 2013.
- The gender parity index for school enrolments increased from 0.59 in 1975 to 0.88 in 2012

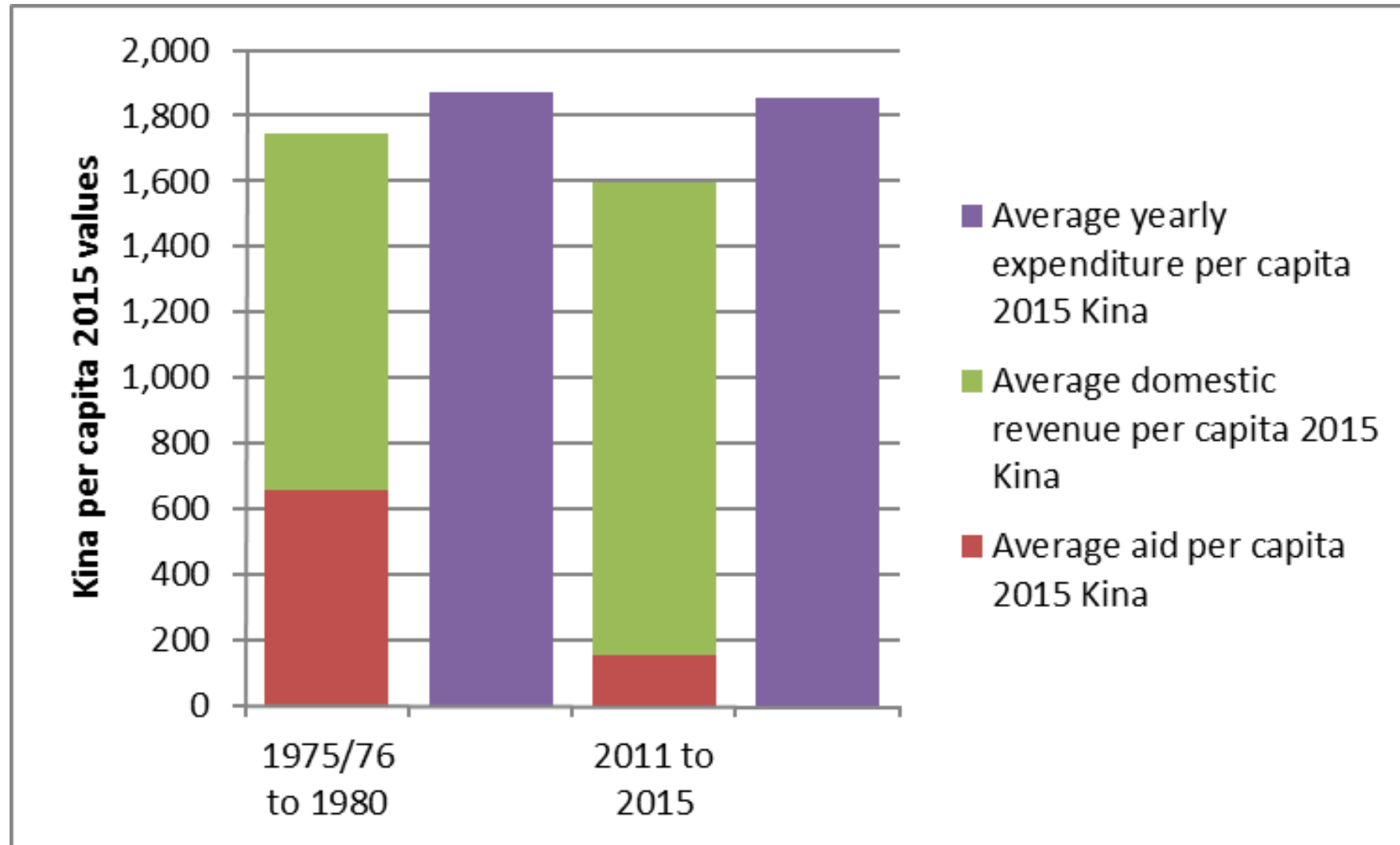
Context: Glass half empty



Effective use of PNG's own resources

- The central focus of our bilateral aid program in PNG should be on helping PNG spend its own resources more effectively.
 - We should focus on supporting PNG to deliver on its own priorities.
 - PNG and Australia share most priorities – political, economic and social
 - It is vital that we have a prosperous and stable neighbour on our doorstep.
 - PNG faces significant challenges in dealing with continuing high population growth rates – from 2.9 million people at Independence to 7.6m currently to 13.2m by 2050 (UN projections – GoPNG indicates 18m)
 - PNG's institutional capacity is in long-term decline even if a short improvement in late 2000s
See excellent article by Lynne Pieper for story even by 2003
- Aid is a small (10%) and declining share of PNG's revenues
 - Australian real aid per capita has been cut by 75% since Independence
 - It is the major reason that real expenditure per capita is now less than in 1975-79
 - The shift from budget support has made the adjustment even harder

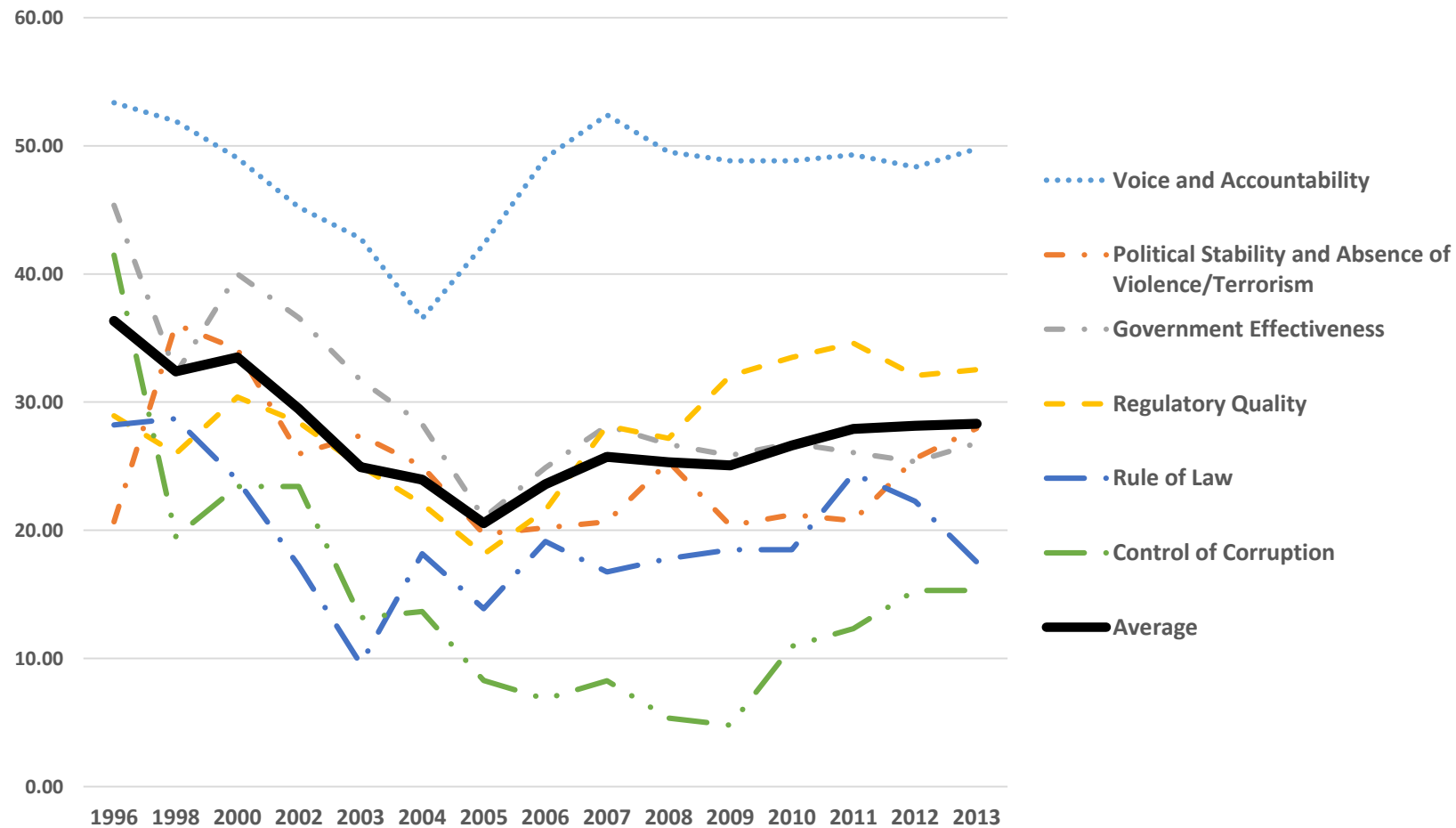
Aid, domestic revenues and expenditures (5 year annual averages in 2015 Kina values)



Governance assistance

- Governance assistance should be the primary pillar in our aid program with PNG
 - This is the means of helping PNG spend its own resources more effectively and to pursue policies that foster inclusive growth.
 - Governance assistance helps build the environment that allows the private sector to grow. This goes beyond support for vital areas such as law and order. It extends to supporting macro-economic stability (fiscal, monetary and external), creating market frameworks that support inclusive businesses and trade, providing essential economic infrastructure and fostering entrepreneurial leadership.
- Australia lost its way on support for this key area a few years ago, it moved back on track, but is now at least partially rejected by PNG.
 - More on this later.

PNG Governance Indicators - 1996 to 2013 – rankings basis



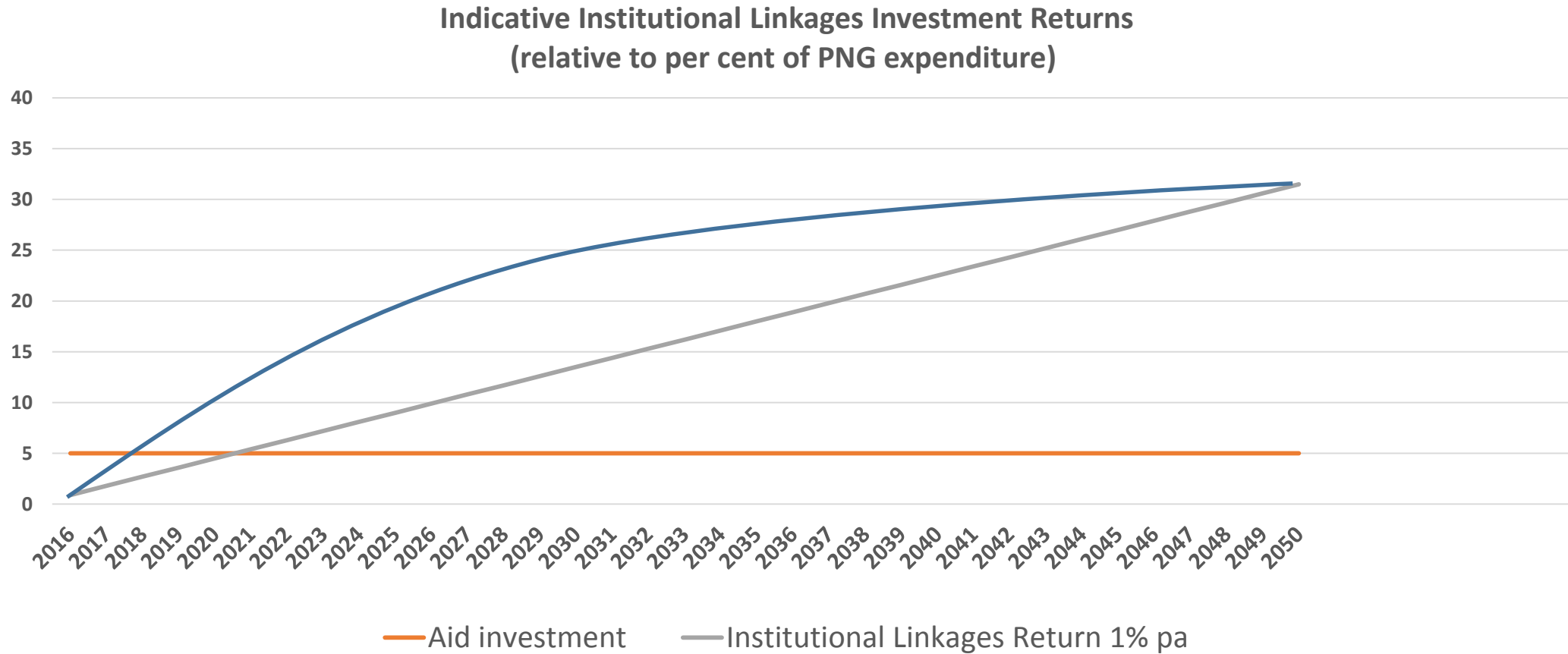
Institutional linkages

- Institutional linkages programs are the most effective way of providing governance assistance
 - Long-term institutional linkages mirror the long-term challenges facing PNG
 - They provide a basis for a strong partnership approach, building on our shared ties, history and common interests
 - They can apply across the public, private, educational and community sectors
 - These institutional linkages programs must be adapted to specific challenges – and support local champions

Institutional linkages

- Allocating at least one half of the bilateral aid program to institutional linkage programs is value for money
 - small but sustainable annual improvements in PNG's own expenditures (even a conservative 1% per year) will represent high and long-lasting rates of return for Australian aid
- Australia still has much to learn about how most effectively to support such programs
- Measurement and performance indicators are particularly challenging for reasons of both measurement but also secrecy

Leveraging aid through institutional linkages



Prospects for change

- Institutional linkages can apply across government (including Parliament), business, church, educational and community sectors
 - Devpol work with UPNG and Femilil are good examples
- Post-colonial experience
 - Support for continuing public servants, including retirement provisions
 - Some figures of over 10,000 expat govt employees at time of Independence
- Subsequent budget support – propped up the salary bill for in-line advisors
- Turn of century - Arc of instability
 - Timor Leste – UN administration
 - Solomon Islands – RAMSI
 - PNG – ECP advisors (in-line)
 - PNG – SGP advisors (not in-line based on PNG wishes)
 - PNG - ???
- Flexible and adaptable responses

Prospects for Change – Government linkages

- Recent technical changes to non-citizen advisers appointments are a welcome improvement in accountability and role clarification – I would have been happy to sign up to the new arrangements
- Note that claimed sectoral priorities of health, education and infrastructure and districts
 - But new regulations do not apply to the police and no cutbacks in immigration or customs support (clear Australian priorities esp with Manus)
 - Cuts to Treasury, Finance, transport and justice – key accountability mechanisms (not sure about Auditor-Generals assistance)
- Paul Barker comments
 - "Certainly there are concerns the motives may be that there are some players within the government of Papua New Guinea who do not want too much accountability ... and who don't even want the strengthening of some of the government mechanisms."
- Adviser changes appear at least in part a smokescreen for reducing accountability
- Future
 - Even PM sees a need for public service strengthening.
 - Some in PNG community are looking for increased Australian governance assistance
 - Some still regard it as "cultural cringe" and there being a need to cut the "apron strings"
 - Hybrids are possible
 - Key is long-term engagement to build relationships

Conclusions

- The aid program should focus on leveraging PNG's own expenditure
- Governance activities are vital
- Institutional linkages are the most effective form of governance assistance
- Challenging times ahead with the current PNG government
- Prospects
 - History demonstrates these programs adjust through time
 - Possibly increase emphasis on business, community, church, educational and Parliamentary institutional linkages given current GoPNG push back
 - Be ready to respond quickly if circumstances change

Background slides

| Provision | Change | Comment |
|--|---------------|--|
| Terms of reference | 0 | Very similar to previous joint selection process but DPM also |
| Work performance agreement | + | Previously negotiated at lower level although endorsed by Secretary |
| Code of Ethics and Conduct | + | Clarifies responsibilities – an improvement |
| Remuneration determined by and paid for by aid agency in consultation with relevant Secretary | + | Increased input from Secretary (did via levels previously) |
| Remuneration paid for by aid agency | 0 | PNG govt should contribute at least the local salary equivalent – a missed opportunity |
| Performance assessment and disciplinary procedure under direction and control of Secretary in collaboration with aid agency | + | Improvement in accountabilities |
| Adviser has same powers, functions, duties, responsibilities and protections of a citizen; | + | Good clarification |
| Advisor “shall” be responsible for training citizens (mentoring, training and development) | + | Should be the role of any manager but emphasis indicates a tension – consistent with localisation |
| Adviser “may” be delegated such powers and functions ... in order to exercise line responsibilities | + | In-line is optional – flexibility is good and removes previous PNG opposition |

PNG Budget over 40 Years
Expenditure and Revenue as shares of the Economy

