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THE ROLE OF DONORS IN PAPUA NEW GUINEA'S DEVELOPMENT[1]

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Introduction

In this paper I will be focusing on the development partnership that exists between Papua New Guinea and Australia. Australia, which makes the single largest donor contribution to Papua New Guinea's development, takes its role as major donor very seriously, with all the implications that has for our duty to coordinate closely with the Papua New Guinea government and other development partners, and to maintain a well-informed, comprehensive and robust dialogue with Papua New Guinea on development challenges and policy directions.

Papua New Guinea is responsible for its own development

I should say very clearly to begin with that, while Australia does make a significant contribution to Papua New Guinea's resources for development, Papua New Guinea is ultimately responsible for its own development outcomes. No donor can deliver on Papua New Guinea's development aspirations. The goals and strategies for development must be defined by Papua New Guinea, albeit in consultation with all stakeholders. Policy decisions and the programs to implement them must be delivered by the government of Papua New Guinea – the elected representatives of the people and the bureaucracy that serves them.

Of course the government must work in partnership with Papua New Guinea society, be it business houses, NGOs, farmer associations, church groups or others. And also with donors.

This fact was highlighted by the Honorable Bart Philemon, during a speech to Australia's National Press Club in March this year. In discussing the constraints to achieving better development outcomes from the millions of kina that have been invested by both the government and donors, Mr Philemon said, 'aid cannot be really effective if the recipient government does not properly harness its own resources. A good aid program can compliment the good things that a government does, but it cannot work in the face of poor leadership and poor management'.

So you see, this really is a partnership in which each party is somewhat dependent on the other – we need to work together to ensure that both our efforts are not wasted. But much more than that – so that both our efforts deliver improvements in service delivery and consequently in people's quality of life.

The contribution of AusAID to this series is acknowledged with appreciation.

Australia's motivation for helping

I would like to quote further from Mr Philemon's speech, because he provided such an eloquent summary of special relationship between Australia and Papua New Guinea that underpins our commitment to supporting Papua New Guinea's development. He referred to regional security concerns, economic and commercial ties, and the exertion of regional influence. He acknowledged the strong influences of shared geography, shared history, and personal relationships. He also emphasized that the people of Australia and Papua New Guinea have shared aspirations for 'a safe and stable region, for healthy and well-educated children, and for the opportunity for people to realize the prosperity that comes from hard work'.

Australia also wants to meet international expectations of us as a donor country to deliver a high quality and effective aid program in Papua New Guinea and the Pacific.

Budget issues

There is increasing recognition from donor and recipient countries alike that aid funds have much greater impact when they are used to leverage existing government strategies and programs that are well-designed and implemented effectively.

Although the Australian aid program is a lot of money in anyone's terms, it is not sufficient to meet all of Papua New Guinea's development needs. Papua New Guinea's own resources need to be harnessed to support development priorities. Similarly, Papua New Guinea's development budget, which is approximately 20 percent of Papua New Guinea's total budget, will only be effective if the remaining 80 percent is being used effectively to support the core functions of government, such as delivery of basic services in health, education, law and order, and infrastructure maintenance.

Responding to Papua New Guinea's development agenda

I'd like now to talk in more detail about how Australia is planning to support Papua New Guinea's development agenda over the coming years.

The starting point for all donors must be the *Medium-Term Development Strategy 2005-2010* (MTDS), which sets out Papua New Guinea's goals and strategies for economic and social advancement. The MTDS places a strong emphasis on the link between economic growth and better development outcomes. It refers to the 'virtuous circle' from economic growth of rising incomes leading to rising tax revenue contributing to macroeconomic stability and increased spending on the core services which further contribute to the enabling environment for growth. Of course, this is strongly dependent on the effective use of that tax revenue, as I have already briefly discussed.

The White Paper on *Australia's Overseas Aid Program*, which was recently released by Australia's Minister for Foreign Affairs the Honourable Alexander Downer, also places a strong emphasis on growth as a pre-requisite for development.

The White Paper is an important document for us in terms of providing broad strategic direction for the aid program. The Papua New Guinea-Australia Development Cooperation Strategy (DCS) was also developed earlier this year to guide, at country level, how we will be supporting Papua New Guinea's development priorities. The DCS was jointly developed with a range of Papua New Guinea government stakeholders and subjected to several rounds of consultation and review with stakeholders both within and outside government in Papua New Guinea and Australia.

The DCS guides the implementation of Australia's aid program to Papua New Guinea, in accordance with MTDS priorities, for the period 2006-2010. The strategy is structured around four core, interlinked pillars:

- improved governance and nation-building;
- sustainable economic growth and productivity;
- improved service delivery and stability; and
- combating HIV.

Let me give a little bit of detail about each of those pillars while noting that the strategy is still pending final ministerial approval so has not yet been publicly launched.

Improved governance and nation-building

'Improved governance and nation-building' highlights the contribution of both state and non-state actors to the development of a strong, dynamic, and participatory state that meets the needs and aspirations of its people.

The government of Papua New Guinea has outlined a policy framework for improving governance, through the MTDS, the *Framework for Recovery and Development*, the *Public Sector Reform Strategy* and the national

budget process. Australian support is delivered within that overall framework, with a focus on central agencies as well as the implementation of broader reform initiatives at sectoral level.

In addition, Australia recognizes that governance is not purely a concern of government but that our engagement with civil society needs to understand and support their contribution to the development of strong and accountable institutions in Papua New Guinea.

Sustainable economic growth and productivity

The MTDS and the White Paper on Australian Aid have both served to refocus development efforts on achieving gains in economic growth. The quality of that growth is important and the DCS recognizes this by emphasizing the key role of government in creating the enabling environment for people to access economic opportunities and contribute to increased growth and productivity. Health services, access to education, access to markets, and a safe, secure environment are all important contributors to growth.

At this point, I should also note the importance of stability and sound policies at the macroeconomic level and to acknowledge the positive steps in this direction that have been taken by the Papua New Guinea government.

Improved service delivery and stability

The Papua New Guinea government has a key responsibility in the delivery of basic services, including health, education, transport and law and order. Failure to deliver services can lead to weakened social cohesion, including instability, poor economic growth, increased poverty and disempowerment of people. Australia will support the delivery of services in accordance with the decentralization of responsibilities under the *Organic Law on Provincial Governments and Local-level Governments*, and with a view to encouraging innovative and efficient modes of delivery.

Combating HIV

HIV is a significant development issue that has the potential to undermine gains elsewhere in the economy or society if not checked. Australia is supporting Papua New Guinea's response through the National HIV/AIDS Council and the implementation of the National Strategic Plan, as well as assisting Papua New Guinea to mainstream the response in all sectors and programs. A mainstreamed approach reflects the fact that it is not just one sector or one agency's responsibility to act – all sectors, institutions, and individuals need to think about how they could be contributing to the spread of HIV or how they are best placed to combat it.

An important part of the process of developing the DCS was prioritizing the MTDS objectives and being selective about where Australia's assistance could have the most impact, based on an assessment of our comparative advantage. In other words, we are doing a few things properly, instead of trying to do everything and spreading our resources too thinly to have an impact.

Our approach

Of course, it is not just *what* we do that is important but *how* we do it. The DCS also outlines key principles and ways of working to ensure that the aid program is delivered in the most effective manner possible and in a way that is tailored to Papua New Guinea's own requirements, challenges and strengths.

Australia is committed to working with Papua New Guinea to integrate the delivery of Australian assistance with existing Papua New Guinea programs and systems. This approach seeks to reinforce and support Papua New Guinea government leadership in reform efforts and service delivery improvements while minimizing duplication of effort or transaction costs. Our work with the law and justice sector is an example of where AusAID support is integrated with the budgeting and prioritization of resources across the sector as a whole.

We acknowledge that it can be a delicate balance at times between utilizing existing capacity and putting weak systems under additional strain. Working through Papua New Guinea systems also means a commitment to strengthen those systems where necessary and building the capacity within Papua New Guinea to plan, implement and monitor programs effectively, whether government or donor funded. Sometimes there is an expectation that the Australian aid program should deliver goods and services directly. But our focus is on supporting Papua New Guinea to deliver – which means that sometimes things happen a little more slowly, at a pace that Papua New Guinea systems can sustain; and of course it means that the Australian identity is sometimes less visible – but that does not mean that we are always a 'silent partner'.

I have already spoken about the relationship between Australia and Papua New Guinea as a partnership, and the fact that partnerships require contributions from both partners to work effectively. This also means that Australian funding to these important sectors of health, education, and infrastructure cannot substitute for adequate Papua New Guinea government funding being directed to core functions and responsibilities of government.

Of course, Australia and other donors do not just support Papua New Guinea in financial terms but we, and all donors, have a strong focus on capacity-building throughout all the programs that we implement in partnership with Papua New Guinea. Capacity-building is a gradual process of strengthening institutions, organizations, and the individuals within them to perform their roles and functions effectively and deliver the outcomes necessary for sustained progress. Too often, external players have taken on responsibility for delivering outcomes – only to find that as soon as the external assistance is taken away, the flow of outcomes ceases. Capacity-building is a slow process and it requires a long-term commitment.

In order to build capacity within Papua New Guinea, the aid program utilizes Papua New Guinea people, systems and organizations in order to deliver. The participation of Papua New Guinea individuals and companies in the aid program has increased substantially over time. For, example, under the National Road Regravelling and Sealing Project, over 90 percent of funding goes directly into road maintenance through the Department of Works. That means that Australian funds are being used to maintain Papua New Guinea roads, using existing systems established and managed by the Papua New Guinea department responsible for maintenance.

While the government of Papua New Guinea is our most important partner in the delivery of the bilateral aid program, we also recognize that the development partnership includes a broad range of players, from government, business, the international community, and civil society. Where these different partners have a comparative advantage in knowledge or ability to drive the development process forward or improve the effectiveness or efficiency with which programs are developed and delivered, we will work closely with them.

For example, through AusAID's Agricultural Innovations Grant Facility, we have supported Papua New Guinea's National Agricultural Research Institution (NARI) to work with the Christian Leader's Training College, Seventh Day Adventist high schools, and other church-based networks in the highlands region to multiply and distribute improved planting materials to the farmers. That partnership utilizes NARI's scientific know-how and the church networks to ensure the right sort of information is getting out the end-user – the farmers.

The Papua New Guinea government has provided, and will continue to provide, leadership and coordination across the spectrum of development partnerships.

Delivering effective assistance

The development process is not a straightforward or an easy one. There are no blueprints, no 'one-size-fits-all' solutions. Ensuring that Australia's development assistance to Papua New Guinea is effective and achieves the desired impact requires robust and ongoing analysis, dialogue, monitoring and evaluation. It requires a deep and nuanced understanding of Papua New Guinea that needs to be constantly re-examined and updated. As a result, a combination of long, medium, and short-term planning horizons is required. The long-term commitment says that we are ready to support Papua New Guinea for as long as it takes for reforms to take hold and become effective. This has required a significant change in the way we work, largely moving away from short three-year projects to 5-10 year program approaches.

We also realize that in the short term things can change rapidly in a dynamic context like Papua New Guinea – whether it is political, economic, or environmental changes, they can all impact on the development process. So Australia's approach also needs to be sufficiently flexible to respond to these changes, and to ensure that the support we are providing today is not targeting last year's or last week's problems.

I would like to touch briefly on AusAID's support to Papua New Guinea's Provincial Performance Improvement Initiative as this has been an innovative shift in AusAID's capacity to engage on issues relating to decentralization.

In Papua New Guinea's decentralized system, the provinces and districts have a crucial role to play in front-line service delivery. In order for service delivery improvements to be felt in the villages, provincial and district-level capacity requires support and development.

For the last year, AusAID has had officers based in three pilot provinces – East New Britain, Eastern Highlands, and Central – working closely with the provincial management teams on issues of planning, budgeting and coordination. This approach has helped us to better understand the challenges and issues at provincial level and will increasingly support better coordination of Australian inputs to a particular province.

We are also supporting key coordinating functions at the national level through the Department of Provincial and Local Government Affairs.

Building and maintaining a strong relationship with the Papua New Guinea government, which enables us to discuss and debate the issues and challenges, is an important part of achieving that flexibility.

Policy dialogue

Australia's policy dialogue with Papua New Guinea is not limited to individual sectors but encompasses a range of cross-cutting issues that have been identified through the MTDS and the DCS as having a significant impact for Papua New Guinea's development. This includes our support to HIV/AIDS, which I have previously mentioned.

Good governance is central to Australia's engagement with Papua New Guinea. The phrase 'good governance' is one that is often heard on the lips of donors, government officials, and non-government commentators alike. International experience tells us that the quality of governance in any nation can either enable or undermine development efforts. Good governance can mean strong, accountable democratic institutions; it can mean transparent and open public decision-making; at the institutional level it means effective public administration.

The fight against corruption is one aspect of a broader good governance agenda, but one that Australia is very committed to. Reducing corruption at all levels of government can make a significant contribution to Papua New Guinea's development.

One example is the impact of corruption on the business-operating environment. Corruption increases the transaction costs for businesses. It means that the most qualified or most efficient service provider does not always get the job. It means that 'the rules of the game' are not the same for everyone. And that adds up to an uncertain and risky investment environment for the private sector. Increasing private sector investment is key for increasing economic growth in Papua New Guinea.

Challenges such as reducing HIV infection rates, combating corruption, reaching rural areas with better health and education services – these are serious challenges that confront Papua New Guinea. We seek to have robust discussions with Papua New Guinea about these and other issues. But they are not simply discussions for the sake of discussions. Australia has a role in supporting Papua New Guinea to find and implement innovative and appropriate solutions to address these challenges. But it is important that Papua New Guinea takes the lead to respond to the challenges ahead. It is also important that Australia as a partner has a view on these issues which we communicate to Papua New Guinea.

Performance Review and Dialogue

So, returning to the issue of development effectiveness, I would like to examine the linkages between the policy dialogue that is ongoing with Papua New Guinea and the need to measure and evaluate progress in achieving outcomes.

How do we know if our development assistance is having an impact? And how can we encourage the government to focus on getting the biggest bang for their development buck?

The first step is monitoring and evaluation systems across all programs, and ensuring that the lessons that emerge are fed back into programming decisions and directions.

At the higher levels, Australia and Papua New Guinea have agreed to implement an annual Performance Review and Dialogue process, which focuses on measuring a small number of key indicators of progress, particularly focusing on public sector reform issues. Achievement against these indicators will trigger the release of a K70 million performance grant. This performance grant will be available to government to support emerging public sector reform priorities or to provide top-up funding to particular sectoral programs that are performing well and would benefit from expansion. This is an innovative new approach to performance management that seeks to reward achievements based on a robust policy dialogue that looks at key reform processes and outcomes.

I should specify that the indicators we will be measuring will start by focusing on key processes or outputs that are achievable and easy to measure. As this approach to performance

management develops, and as Papua New Guinea's own performance management systems grow in strength and sophistication, we will seek to increasingly monitor indicators at the output and outcome level.

The Performance Review and Dialogue also provides Papua New Guinea with an opportunity to discuss Australia's performance as a donor. Once again, I return to the idea of a partnership – where both parties need to agree on what they will contribute to the partnership and both parties need to be able to say if the other is keeping up their end of the bargain.

Engaging civil society

I would like to spend a few minutes talking about some of the other partners in Papua New Guinea's development – first, the broader community who are usually all summarized by the term 'civil society', and secondly, the rest of the donor community.

Civil society has such an important role to play in Papua New Guinea's development and it is a challenge for the Australian aid program to understand and support that role. Development is not something that happens 'to' civil society; they are part of it, they contribute resources, ideas, and they are the best measure of its success.

Australia has supported a range of civil society players over time, including non-government organizations, church groups, and the media. We are currently developing a new strategy that will examine the complex role of civil society in Papua New Guinea's development and the broad range of actors that may include; and how Australia may best contribute to developing and supporting their efforts.

Donor harmonization

The Rome Declaration on Aid Effectiveness recognizes that a lack of coordinated efforts from donor countries can increase the pressure on already over-burdened government systems through the demands of multiple accountability requirements, technical advice, strategies, and monitoring frameworks.

Like many international donor countries, Australia is committed to implementing the principles of the Rome Declaration on donor harmonization. In practice this means that we are working proactively to ensure that our assistance to Papua New Guinea does not duplicate or contradict other donors' efforts but that all donors are lining up in support of Papua New Guinea leadership in key sectors.

By using key Papua New Guinea strategy documents, such as the MTDS, as our guiding framework, and encouraging other donors to do the same, we are trying to ensure a consistent and coherent approach that recognizes and reinforces government of Papua New Guinea leadership.

In some sectors, such as the health sector, sector-wide approaches are being implemented by multiple donors in collaboration. In the health sector, AusAID is contributing to a multi-donor trust account that also receives funds from NZAID and the Asian Development Bank. UN agencies are also contributors in the form of technical assistance. Trust account funds and technical assistance are all supporting the implementation of the *Strategic Plan for the Papua New Guinea Health Sector 2006 – 2008*, which was developed by the national Department of Health, in line with the Medium Term Expenditure Framework and 10-year plan for the sector.

There are challenges for donors in this approach – challenges to do with coordination, monitoring, and being able to demonstrate the contribution our assistance has made to development outcomes. But these challenges must be overcome as the benefits of a highly coordinated approach, such as reduced transaction costs and reduced management demands on Papua New Guinea, are too valuable to ignore.

Research

I would like to speak briefly about the role of donors, Australia in particular, in contributing to research for development, which is only fitting given that our host is the National Research Institute.

Research makes an important contribution to the policy development process – enabling better-informed decisions to be made, based on supporting data. Research can also bring to light innovative development methods, whether that is new approaches to implementing community development activities or new technologies for smallholder farmers to increase their productivity or market competitiveness. Australia is contributing to a number of international and regional research efforts, as well as Papua New Guinea country-

specific projects.

Supporting research partnerships between Australian, Papua New Guinean, and regional or international researchers is central to our approach. One recent example was the development of the *Pacific 2020* report. Although this process was funded and coordinated by AusAID, the report itself reflects the considered input from some of the key decision-makers in the region who contributed through a series of roundtables and working papers to the process. The report itself is only one output from this process – the most important output was the discussion and debate generated by the report – both the process of putting it together and its publication. *Pacific 2020* is not a prescriptive policy document but a range of policy options to stimulate debate and inform policy-makers and other stakeholders as they develop country-specific plans and strategies for action.

AusAID is co-hosting, with NRI and the Institute of National Affairs, a Papua New Guinea seminar on *Pacific 2020* that will refocus some of the issues raised by *Pacific 2020* to a Papua New Guinea context, and will bring leaders from both inside and outside government together to share ideas and debate the issues.

People-to-people links

I have talked a lot about partnerships at the level of countries and institutions, but I would also like to emphasize the importance of partnerships at the individual level.

Personal links between Australians and Papua New Guineans are strong and diverse. Those links are forged through Australian Development Scholarships that enable Papua New Guineans to study at Australian educational institutions. They are also forged through the Australian-funded volunteer programs, such as the Australian Youth Ambassadors for Development program which supports young people with energy, enthusiasm, and fresh ideas to work side-by-side with Papua New Guinean colleagues on a learning journey.

These person-to-person links are so important because they help us to develop a deeper understanding of our shared goals and aspirations, and a positive appreciation for our cultural difference.

Australia also recently funded a group of young emerging leaders from around the Pacific to share ideas and be challenged by their peers and mentors through the Emerging Pacific Leaders Dialogue, launched in Brisbane with study tours around the region.

The Dialogue was launched by the Australian parliamentary secretary to the minister for Foreign Affairs, Teresa Gambaro, who noted the importance to all communities of strong leaders that provide vision and opportunities for their people. She also noted that strong leaders need to be supported by strong institutions – and need to invest in the quality of those institutions to ensure access to opportunities are widespread. The Emerging Pacific Leader's Dialogue provided an opportunity for developing personal links across the region, sharing experiences, and reflecting on the challenges that these young leaders will face as they grow and contribute to the growth of their societies.

Conclusion

There are many challenges ahead for the Pacific region and for Papua New Guinea. Australia plays a role as a donor in supporting and enhancing the talent, enthusiasm, and energy of Papua New Guineans for addressing those challenges. It is a complex role, in a complex country, and only one part of a complex and dynamic bilateral relationship. But we are committed on both sides to making it work well and to ensuring that it is serving Papua New Guinea's development needs and aspirations effectively.

Author Note

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Endnotes

[1] This paper was presented to a seminar at the National research Institute on 20 July 2006

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