

**BOARD
OF
DIRECTORS**

ASIAN DEVELOPMENT BANK

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**TECHNICAL ASSISTANCE TO PAPUA NEW GUINEA
FOR HEALTH POLICY SUPPORT**

The attached Report is circulated for the information of the Board. The President approved the technical assistance on 30 May 2001.

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ASIAN DEVELOPMENT BANK

TAR: PNG 35072

TECHNICAL ASSISTANCE

TO

PAPUA NEW GUINEA

FOR

HEALTH POLICY SUPPORT

May 2001

CURRENCY EQUIVALENTS

(as of 1 March 2001)

Currency Unit	–	Kina (K)
K 1.00	=	\$0.295
\$1.00	=	K3.390

ABBREVIATIONS

ADB	–	Asian Development Bank
DOF	–	Department of Finance
DOH	–	Department of Health
HSDP	–	Health Sector Development Program
PHO	–	provincial health office
PNG	–	Papua New Guinea
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December
- (ii) In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. During the 2000 country programming mission and subsequent consultation missions, the Government of Papua New Guinea (PNG) asked the Asian Development Bank (ADB) for assistance¹ to support the development and implementation of its new health policy. The technical assistance (TA) is included in the revised program for 2001. The TA objectives, scope, and financing and implementation arrangements were reconfirmed with the Government during a mission during 19 November - 9 December 2000 and in subsequent communication. The TA framework is attached as Appendix 1.

II. BACKGROUND AND RATIONALE

2. The health sector in PNG has suffered from uneven and reduced recurrent budgets since 1994. Continuing budget stringency has reemphasized the need for effective use of resources. The Government's health policy and health plan, developed with ADB assistance, focus on improving the outreach and quality of services, with priority given to rural rather than urban health care, preventive rather than curative services, and basic rather than advanced treatment. ADB is assisting implementation through the Health Sector Development Program (HSDP),² which started in 1998 and is expected to continue through 2001. The HSDP was designed to protect the delivery of rural health services during implementation of the 1996 Structural Adjustment Program and in a more specific context, to implement the National Health Plan 1996-2000.

3. A TA³ was attached to the HSDP to build national capacity to plan health care reforms in a financially sustainable manner. The TA was essential in helping ensure a successful outcome to the health sector program. It has supported the introduction and monitoring of users fees in the hospitals. It has been the focal point of coordination between the Department of Health (DOH) and Department of Finance (DOF), respectively the implementing and executing agencies, and ensured responsibilities described for both agencies were understood, assimilated, and carried out. Systems with the requisite procedures and internal controls to advance funds and account for health expenditure undertaken in the provinces and districts throughout PNG have been designed, and the procedures manual designed for this purpose serves now as the basis for improvement in other sectors such as education and rural sector development. A major achievement is the initial and continuing on-the-job training of rural-based health staff on the procedures and internal controls, and the supervision of provincial health offices (PHOs) in their use of HSDP funds using roving field teams. The midterm review⁴ identified staffing of the HSDP Secretariat as inadequate. The gap has now been filled, and counterpart staff is available for training.

4. Working with the DOF divisions of loans and revenue, public accounts, provincial liaison, and information technology, and DOH, the TA established standard reporting for public health sector expenditure. Presented in a standard format, the information has been widely disseminated and is gaining greater acceptance and use. A practical financial arrangement, which mirrors DOF systems, has been effectively implemented both within DOH and DOF, and in all provinces. This set the stage to channel resources where they are needed on a timely basis. The results have been extremely positive and the HSDP model is receiving broad-based recognition, both within Government and among development partners.

¹ The TA was first listed in ADB *Business Opportunities* on 26 February 2001.

² Loan 1516/1517(SF): *Health Sector Development Program*, for \$60 million, approved on 20 March 1997.

³ TA 2772-PNG: *Strengthening Financial Management of the Health Sector*, for \$600,000, approved on 20 March 1997.

⁴ Conducted from 24 June to 19 July 1999. The progress report was circulated in October 1999.

5. DOH is consolidating these improvements through the strategic adoption of the sectorwide approach⁵. ADB has endorsed the evolution of the HSDP trust deed⁶ to become the Health Sector Improvement Program trust deed, which provides for other participating assistance funds, along with ADB's, under the standard financial mechanisms. The improved consultation between the development partners and DOH, and between the provinces and DOH is developing into broad-based support for this initiative in-line with the New Organic Law and the reform process.

6. However, the progress made is fragile. It is dependent upon continued broad-based consultation and the recognition that it must be consolidated through administrative reorganization, continued training and supervision, and the application of audit processes as a management tool to forestall regression. With procedures and incentives in place, shortcomings in management ability and commitment have surfaced as the greatest challenges to improving health services delivery.

7. ADB is assisting the Government in its efforts (i) to strengthen financial management, with the Financial Management Improvement Project⁷ and (ii) to focus public sector management on achieving outputs, starting with key service delivery units in selected vital agencies at national and lower levels, with the preparation of the Public Sector Reform Program. The TA for health policy support is consistent with this approach, and will assist health authorities in strengthening the procedures and processes in place to improve health services delivery, particularly in remote rural areas.

III. THE TECHNICAL ASSISTANCE

A. Objective

8. The reform process for the HSDP seeks to establish sound management practices for the public service and the delivery of health services. In support of DOH's long-term commitment to implementing the sectorwide approach, the TA will institutionalize the achievements in systems and procedures developed under the HSDP, while addressing core management issues related to transparency, supervision, and audits. It will notably replicate the operational and accounting audits already completed in three provinces to all provinces. In line with the National Health Plan, the main objective, is to link health outcomes to financial inputs.

B. Scope

9. The TA will involve DOF and DOH, nationally and provincially. Within DOH, the review of organization, operating procedures, internal controls, supervision, and accountability is being initiated using performance audits, The TA will promote and help organize the audits within DOH and in the PHOs. It will help implement the recommendations, notably in the area of personnel management, development of procedures and internal controls, supervision guidelines, and evaluation criteria. Training will be an integral component of implementation. To undertake institutional strengthening based on performance audit results, the TA will help DOH reorganize important administrative sections, including the projects section. This will involve the development of internal control procedures and evaluation.

10. Improved monitoring and cost benefit reports need to be established at the provincial and district levels. These reports have already been established on a trial mode. They combine financial

⁵ SWAP is defined by the World Health Organization as "all significant fundings for the sector supports a single sector policy and expenditure program, under government leadership, adopting common approaches across the sector, and progressing toward relying on government procedures to disburse and account for all funds."

⁶ Health Sector Development Program GoPNG-Fund Trust account, incorporating loans 1516 and 1517.

⁷ Approved 5 June 1999 for \$25.8 million, part of the Government's Financial Management Improvement Program (FMIP).

information and health information in a single four-page report format, and are targeted at all decision makers in the provinces. Extension and improvement of this system will require that all provincial health and treasury staff be retrained on management principles and procedures, and promoting uniform data collection and standard information production be promoted, as recommended under the Financial Management Improvement Program. The Information Technology Division (in DOF) will receive specific assistance to produce standard health expenditure information to be used by the national and provincial health boards, the provincial and district health offices, and the corresponding levels of political leaders. Outline terms of reference for the TA are given in Appendix 2.

C. Cost Estimates and Financing Plan

11. The total cost of the TA is estimated at \$315,000 equivalent, comprising \$220,000 in foreign exchange costs and \$95,000 equivalent in local currency costs. ADB will finance the total foreign exchange costs on a grant basis from the ADB-funded TA Program. The balance of \$95,000 equivalent will be provided by the Government through the provision of counterpart staff, support services, and office facilities. Detailed cost estimates and financing plan are provided in Appendix 3.

D. Implementation Arrangements

12. DOF will be the Executing Agency and DOH the Implementing Agency. An individual international consultant with expertise in health finance and policy will be engaged for 12 person-months of consulting services. The consultant will provide on-the-job training and support to DOF and DOH staff. The TA will be carried out over 12 months, commencing in March 2001 and completed by March 2002. The consultant will submit (i) an inception report one month after TA commencement, (ii) detailed quarterly reports on TA implementation, and (iii) a final report within two months of TA completion. This TA requires an in-depth knowledge of the PNG health system functional and financial administration. The individual international consultant who has performed the consultant services under the TA attached to the HSDP has developed unique expertise and experience in this area and therefore will be directly selected.

IV. THE PRESIDENT'S DECISION

13. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, to the Government of Papua New Guinea in an amount not exceeding the equivalent of \$220,000 for the purpose of Health Policy Support, and hereby reports such action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal To improve health services delivery, particularly in remote rural areas</p>	<p>Improvement of the main indicators of health status (infant mortality rate and under-5 mortality rate, maternal mortality rate, pneumonia and malaria mortality rates)</p>	<p>Reports from Department of Health (DOH), World Health Organization (WHO), and United Nations Development Program (UNDP)</p>	<p>Availability of personnel, drugs, and medical supplies</p>
<p>Purpose Improve management and effectiveness of health services delivery, by improving financial equity, transparency, and efficiency of the health system</p> <p>Promote information-based decision making at national, provincial, and district level</p>	<ul style="list-style-type: none"> • Improve coverage of health services • Increase amount spent on rural dwellers • Budget appropriation reflecting main area for health outcomes improvement 	<p>Reports from DOH, WHO, and UNDP National and provincial budget appropriation Information documents</p> <p>Audit reports</p>	<p>Commitment of all levels of government</p>
<p>Outputs</p> <ul style="list-style-type: none"> • Procedures to ensure transparency of health expenditure • Performance audits of the health administration • Publication and distribution of standard monitoring and cost benefit reports by provinces and districts 	<ul style="list-style-type: none"> • Appropriate procedures established and training of civil servants completed • Audit reports available • Reports regularly published and distributed 	<p>Technical assistance (TA) reports</p> <p>TA review missions</p>	<p>Cooperation of all levels of government and administration</p>

(Reference in text: page 1, para. 1)

<p>Activities</p> <ul style="list-style-type: none"> • Diffusion of health finances information to all levels of government and political representation • Establishment of standard monitoring and cost benefit reports, by province and district, combining standard financial information and health information • Assistance to the organization of performance audits within DOH and in the provincial health offices (PHOs) • Assistance in the organization of important administrative sections • Development of supervision criteria and guidelines including an evaluation grid • Development and training on standard progress reports • Training for all PHOs and provincial treasury staff on management principles and the Health Sector Improvement Program procedures. • Assistance to the Information Technology Division of DOF to produce standard health expenditure information 	<p>Inputs</p> <p>12 person-months of international consulting services</p>	<p>TA review missions</p>	<p>Counterpart staff available in both DOH and Department of Finance (DOF)</p>
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OUTLINE TERMS OF REFERENCE FOR THE INTERNATIONALCONSULTANT

1. An International consultant, a specialist in health financing, budgeting and policy specialist will provide 12 person-months of services. The consultant will undertake the following activities:

- (i) Working with Information Technology Division of Department of Finance (DOF), ensure that health finance information is available and the process of producing this information is institutionalized. Contribute to and help establish improved monitoring of standards and cost benefit reporting, by provinces and districts, combining standard financial information and health information. Promote the use of this information by the national and provincial health boards, provincial and district health offices, and corresponding levels of political leaders.
- (ii) Promote and help organize performance audits within the Department of Health (DOH) and in the provincial health offices. Help DOH undertake institutional strengthening based on performance audit results. Assist in organizing important administrative sections, including the projects section. Develop procedures and internal controls relating to procurement. Develop supervision criteria and guidelines including an evaluation grid. Develop standard progress reports. Provide on-the-job training and organize backstopping mechanisms to ensure performance and standards are maintained.
- (iii) Update the Health Sector Development Program (HSDP) procedures manual to reflect the evolution of the Health Sector Improvement Program (HSIP), include management issues as a result of lessons learned, and retrain all provincial health staff and district health managers and their staff.
- (iv) Help DOH with its initiatives under the Public Sector Reform Program, as well as provide guidance to the Department of Education on developing standards and systems similar to those in DOH.
- (v) Establish in-service training for middle management and junior DOH staff through a program of on-the-job training based in the projects section (DOH) and in the HSIP Secretariat (DOF).
- (vi) Train all provincial health office and treasury staff on management principles and HSIP procedures. Ensure these staff are organized to implement internal controls and respect procedures.
- (vii) Strengthen the HSIP Secretariat within the DOF to promote uniform data collection and standard information production. Assist the Information Technology Division (in DOF) to produce standard health expenditure information.
- (viii) Assist the Financial Management Improvement Program (FMIP) in DOF to continue the production of standard health expenditure information and to take into account DOH information requirements as new accounting and reporting systems are defined and implemented under the Financial Management Improvement Program.

(Reference in text: page 3, para. 10)

- (ix) Assist DOF to improve provincial treasury performance by making use of expenditure in the provinces.
- (x) Design and implement standard financial reports that are responsive to and satisfy DOH, DOF, and all development partner requirements.

2. These activities will involve visits to the PHOs. The planning of these visits will be included in the inception report submitted by the consultant one month after the beginning of the TA.

COST ESTIMATES AND FINANCING PLAN
(\$)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing ^a			
1. International Consultant			
a. Remuneration and Per Diem	187,000	0	187,000
b. International and Local Travel	11,000	0	11,000
c. Reports and Communications	1,000	0	1,000
2. Office Communications and Supplies	1,000	0	1,000
3. Contingencies	20,000	0	20,000
Subtotal (A)	220,000	0	220,000
B. Government Financing			
1. Office Accommodation and Transport	0	30,000	30,000
2. Counterpart and Secretarial Staff	0	65,000	65,000
Subtotal (B)	0	95,000	95,000
Total	220,000	95,000	315,000

^a Financed from the ADB funded TA program.
Source: Staff estimates.