PACIFIC CHOICE
The Provincial Performance Improvement Initiative

Asian Development Bank
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Papua New Guinea: A Case Study on Subnational Capacity Development

by Cedric Saldanha

Asian Development Bank
Notes and Observations

Cedric Saldanha.
The provincial performance improvement initiative, Papua New Guinea: a case on sub-national capacity development

I. Asian Development Bank. II. Australian Agency for International Development

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Capacity Development Series

This sub-series is published by the Asian Development Bank to provide the governments of its Pacific developing member countries (PDMCs) with analyses and insights on key issues and lessons learned with respect to capacity development. Cases studied highlight a range of experiences throughout the region by sector, theme and source of external support, revealing approaches to capacity development that work best and the conditions that have been conducive to their success. They also explore the unique challenges faced by PDMCs in addressing capacity constraints as well as some of the opportunities facing governments and the people in the Pacific islands. Among other things, the case studies underline the importance of PDMC leadership, engagement of local partners, strategic attention to long-term capacity issues and effective use of external resources. It is our hope that the findings in these reports will help to guide future capacity building efforts in the Pacific.
Foreword

Background

About the Case Study: Guiding Principles of Capacity Development

Principle 1: The capacity development intervention must target specific underperformance in the expectation that the intervention will improve performance.

Principle 3: As part of the diagnostic analysis, identify the key actors (stakeholders) whose support is necessary to improve capacity and final performance.

Principle 4: The analyses must result in clear capacity development strategies that are duly supported by and involve all key stakeholders.

Principle 5: Tailor capacity development assistance to need. Avoid the “one size fits all” syndrome.

Principle 6: Ownership and local leadership

Principle 7: Sequencing and phasing

Principle 8: Adopt incentives

Principle 9: Support existing structures and processes as far as possible. Support local innovation.

Capacity Development Results to Date

Strengthened Capacity of the Department of Provincial and Local Level Government

Strengthening Management Systems in Provinces

Budget and Human Resources Management in the Provinces

Strengthening Coordination between Provinces and Districts

Strengthening the Links between National and Provincial Governments

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NOTE:
In this publication, “$” refers to US dollars.
Despite 50 years of aid in the Pacific region, including some S$17 billion invested over the past 25 years, overall results in terms of sustainable improvements in capacity have been mixed, at best. This raises questions, not only in the Pacific but also throughout the developing world, about approaches to capacity development—what works, what doesn’t, and why? The Asian Development Bank (ADB) recognizes the importance of capacity development, having officially embraced it as a thematic priority in 2004. ADB’s commitment is consistent with the Paris Declaration on Aid Effectiveness and the Pacific Principles on Aid Effectiveness. The programs of a number of other funding agencies, including the Australian Agency for International Development (AusAID), New Zealand’s Agency for International Development (NZAID), United Nations Development Programme (UNDP), and the World Bank also embrace the importance of more effective capacity development.

Increased interest in capacity development in recent years reflects an acknowledgment of the shortcomings in development assistance over the past 50 years. This has led to calls for approaches that are more systematic and integrated, and which focus more on developing country ownership and achievement of sustainable results. Capacity amounts to the policy, procedures, personnel, organizations, institutions, and supporting environment required to effectively deliver development outcomes. In particular, ADB has focused on the ability of public sector capacity to deliver essential services, thereby strengthening the compact between government, civil society, and the private sector. Capacity development is much more than just training or skills transfer. It is really about effective organizations and institutions, a sound unpoliticized policy environment, accountability systems, effective relationships, and appropriate incentives. And as noted in this study, capacity development should be firmly rooted in a country’s political economy.

To gain a better understanding of what works in terms of approaches to capacity development, ADB’s Pacific Department (PARD) commissioned a regional study in 2007. The study was rooted in 20 case studies from 11 countries across the region, prepared mainly by Pacific islands consultants. The case studies covered a range of programming experiences—from economic planning, to infrastructure development, health and legal sector reform, and civil society enhancement, as well as different modalities for supporting capacity development. ADB’s intent in commissioning the overall study was to draw upon the individual findings and recommendations to help guide future capacity building efforts in the Pacific, including institutionalizing a more focused and effective approach to capacity development in ADB’s country programs and operations.
The case studies in this series and the overall study report are the result of collaboration among a number of consultants working with ADB under the direction of Steve Pollard, Principal Economist, PARD. The team leader for the overall study was Joe Bolger, and the authors of the studies were Helio Augusto, Kevin Balm, Brian Bell, Ron Duncan, Ben Graham, Ueantabo Mackenzie, James McMaster, Samson Rihuoha, Cedric Saldanha, Tom Seta, Paulina Siop, Esokia Solofa, Kaveinga Tu’itahi, Henry Vira, and Vaine Wickman. The study also benefited from the input of a number of resource persons, including Tony Hughes (Solomon Islands), Lynn Pieper (Timor-Leste), Tim O’Meara (Samoa), and Patricia Lyon, Senior Capacity Development Specialist, AusAID. The case studies represent the situation at the time of writing in 2007.

In conclusion, this report seeks to enhance understanding and dialogue on capacity development and its potential for contributing to poverty reduction and improvements in the quality of life of all Pacific islanders. I trust that you will find it both thought-provoking and practically helpful in advancing our collective commitment to development in the Pacific.

Philip Erquiaga
Director General
Pacific Department
The Pacific Choice
Papua New Guinea Facts

Population: 5.7 million (estimated)

Political status: Constitutional parliamentary democracy. PNG has been fully independent since 16 September 1975 and became the 142nd member of the United Nations in October 1975. It is also a member of the British Commonwealth.

Capital: Port Moresby
Location: the eastern half of the island of New Guinea, 160 kilometers north of Australia.

Languages: More than 800 distinct languages. Melanesian Pidgin and Hiri Motu are the two most widely used, but English is the official language in education, businesses, and government circles.

Per capita GDP: $903 (2006)
Real GDP growth rate (2006)
Life expectancy: 55 years
Adult literacy: 57%

Sources: Government of PNG website, PNG Tourism Promotion Authority, PNG Business and Street Directory, US Department of State.
BACKGROUND

The Provincial Performance Improvement Initiative (PPII), which began on a pilot basis in mid-2004, focuses on strengthening the capacity of 18 provincial administrations in Papua New Guinea (PNG) to better deliver effective services (health, education, infrastructure, and law and order) to the people.

A long-term capacity development program, with the current time frame being 15 to 20 years, PPII is now on its fourth year of implementation and is currently working in 13 of the 18 provinces of PNG. The program is led by the Department of Provincial and Local Level Government (DPLGA) and is supported by the Australian Agency for International Development (AusAID).

The service delivery improvement focus of the program includes capacity development of various national agencies that have key roles in supporting service delivery. These include DPLGA and agencies covering key functions related to service delivery, such as the departments of treasury, finance, human resources management, and the Department of the Prime Minister.

The program has become a key national priority of the Government of PNG and of AusAID’s program in PNG.
Successful capacity development must adhere to some essential principles and processes. This case study discusses how PPII has adopted and used a number of principles and processes in its journey, which is at an early stage. Final outcomes are still a long way off. There are, however, intermediary outcomes and related outputs. These are discussed and presented in this study.

Nine capacity development principles were developed. These are outlined below.

**Principle 1:** The capacity development intervention must target specific underperformance in the expectation that the intervention will improve performance.

Essential services in PNG (health, education, infrastructure, law and order, and agriculture extension) have gradually deteriorated over the last two decades. The evidence lies in United Nations surveys related to the Millennium Development Goals, which have confirmed that PNG’s human development index continues to sink lower each year. Besides, there is rising concern within the public and among politicians that the issue is reaching a crisis point, and something needs to be done urgently.

Both provincial administrations and national agencies are responsible for delivering essential services. Under the key decentralization legislation of PNG, the 1995 Organic Law on Provincial Governments and Local Level Governments, major responsibilities for service delivery were delegated to the provincial governments.
A report of the National Economic Fiscal Commission in May 2003 documented the extent of deterioration in services.\(^1\) The government’s Medium Term Development Strategy 2005–2010\(^2\) admits that, resulting from this deterioration of services, the key social indicators of PNG, such as infant and maternal mortality and life expectancy, are among the lowest in the region.

Thus, enhancement of key service indicators became the starting point of PPII. All provincial governments have agreed on the key focal sectors: health, education, law and order, and infrastructure. The Department of National Planning and Monitoring has also identified a short list of key performance indicators per sector. It has also been agreed that provincial governments will now report progress on these indicators through their respective annual performance reports to the minister concerned and national parliament.

**Principle 2:** Undertake a disciplined diagnostic analysis of the causes of underperformance to identify key capacity-related causative factors.

The National Economic Fiscal Commission (NEFC) undertook an extensive analysis of service delivery in PNG during 2002–2003. In addition, the feasibility study and pilot phase of the Provincial Performance Improvement Initiative (PPII) during 2004 identified the following as some of the key factors influencing poor service delivery:

- The roles and responsibilities of different levels of government (national, provincial, and local) are not clearly articulated, and the link between funding and functional responsibility is unclear. Confusion about roles is an ongoing and significant issue, and directly undermines the ability to hold different levels of government accountable.

- Lack of adequate and effective funding of key services has resulted because of the confusion described above.

- National sectoral agencies are responsible to coordinate with and technically support provincial administrations in the delivery of services. However, this coordination and technical support system has essentially broken down.

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In addition to the NEFC’s work and the initial feasibility study of PPII, the first phase of PPII in each province supported each provincial administration in undertaking a systematic analysis of the service delivery capacities of the provincial, district, and local government administration. The process culminated in the provincial administration preparing a provincial corporate plan and supporting a plan to address identified constraints in capacity. Significant and common capacity weaknesses identified by the provinces themselves as contributing to poor service delivery include the following:

- Basic public administration systems have fallen into disrepair in many provinces and districts. These include the planning and budgeting systems; performance planning, monitoring, and reporting systems; human resources management; and asset management.

- In many cases, elected leaders have taken control of public administration functions in the provinces and districts with related confusion on roles between them and the public administration.

- There is virtually a total absence of public accountability. Provinces are supposed to report annually to the national government on their performance in service delivery. However, they often do not submit these reports, and when submitted, the reports are rarely analyzed and no feedback is sent back to the province.

- The public administration staff at the subnational level have become progressively demoralized and disillusioned, and staff productivity has fallen to abysmally low levels.

**Principle 3:** As part of the diagnostic analysis, identify the key actors (stakeholders) whose support is necessary to improve capacity and final performance.

PPII in its initial work in each province helped identify the stakeholders who play critical roles in supporting service delivery. These typically include

- national agencies responsible for supporting the provinces and districts through their policies, appropriately allocated budgets, and technical support;
• provincial administrations themselves, which, through the districts and local-level governments (LLGs), are the real drivers of the development process in the provinces;
• district and LLG administrations that manage frontline services;
• elected leaders at the provincial and LLG level who play a major role on how funds for service delivery are allocated, and who typically try to control (and align toward their own agenda) the activities of the public service operating in their electorates; and
• church and civil society agencies, particularly those that access government funding to help deliver services. In PNG, these agencies deliver up to half of the services in education and health.

**Principle 4:** The analyses must result in clear capacity development strategies that are duly supported by and involve all key stakeholders.

The initial year and a half of PPII (also called the pilot phase, mid-2004 to early 2006) was substantially devoted to diagnostics and mobilizing support of key stakeholders, such as the central national agencies and provincial governments. During this phase, agreement gradually coalesced on the three key objectives and strategies for the program. These are:

(i) **Strengthen national agency linkages with provincial/district/local-level government administrations.**

This objective has two aspects: (i) national agencies’ responsiveness to and support of subnational agencies and governments in regard to policy direction, technical support, capacity development, communication, and coordination; and (ii) the national government’s holding provincial governments responsible for performance and use of budgets allocated to them for service delivery.

This strategy has led to the development and implementation of a series of outputs targeted at strengthening systems and processes (budgetary, technical, and coordinating) that link the national agencies to the provinces in their work on service delivery. Thus,
the Provincial and Local Level Services Monitoring Authority (PLLSMA), which by law is supposed to review the performance of each province annually, has been revitalized. Coordination between national agencies and provincial governors and administrators is being strengthened through systematic consultative forums.

(ii) Strengthen public administration processes of the provinces, districts, and local-level governments.

Administrative processes have deteriorated substantially over the years. The program supports rebuilding the capacity of the provincial management teams (PMTs) and district management teams (DMTs) with particular focus on

- internal management coordination between province, districts, and local-level governments (LLGs);
- planning, budgeting, tendering, implementation, and financial management processes in each province, district, and LLG;
- policy making and drafting local legislation;
- performance management and reporting processes and systems;
- human resources management and related staff productivity; and
- asset management.

Each province identifies its priorities through its corporate plan and capacity development plan. The plans are first endorsed by the Department of Provincial and Local Level Government. The plans then become the mechanism through which various forms of capacity development assistance are provided to the provinces and districts.

(iii) Strengthen linkages between local elected leaders and the provincial and district administrations.

Elected leaders can potentially play a key role in supporting effective service delivery. It is their prerogative to establish the development priorities for their respective electorates. They also have at their disposal discretionary grants, and these could
potentially be used for effective service delivery if integrated into the province-wide budget. However, relationships between elected leaders and the administrations at the provincial, district, and local-level government levels are, in many cases, in disarray. Urgent action is needed to repair and strengthen these relationships.

The Provincial Performance Improvement Initiative (PPII) encourages elected leaders to adhere to the provisions of the Organic Law with respect to their roles and responsibilities and their relationships with the administration. PPII is in the process of designing programs to assist elected leaders work smoothly with the provincial and district administrations on such issues as 3–5 year district development plans; integrated and province-wide budget planning, allocation, and disbursements; and continuing oversight of the development process in the provinces. On the administration side, PPII is helping strengthen the provincial public service to support the leaders with quality policy advice and a robust planning/budgeting system.

**Principle 5: Tailor capacity development assistance to need. Avoid the “one size fits all” syndrome.**

The provinces have different capacities with respect to ability to manage and deliver services effectively. They substantially differ in size and geography. Some are island provinces where delivering services to communities on distant small islands becomes prohibitively expensive. Others are highland provinces where communities are often located a 2–3 day walk from the nearest road, while yet others are mainland provinces with fairly densely, closely located population centers.

The type of assistance the Provincial Performance Improvement Initiative (PPII) provides must necessarily take account of these differences. Further, some provinces, such as East New Britain and Milne Bay, are well managed with a credible record of service delivery. Their needs for capacity strengthening are thus very different from other provinces that have had a consistently poor record in this regard. The program must also take into account the differing capacities to absorb or effectively sustain any improvements in public administration brought about through PPII.
PPII has, therefore, built into its design the key feature of flexibility and responsiveness, primarily defined by the principle of local leadership, which is covered in the next principle.

**Principle 6: Ownership and local leadership**

The Department of Provincial and Local Level Government (DPLGA) has the legally mandated authority to coordinate relations between the national government and the provinces. For many years, it did not get the national support or budget allocations necessary to perform this role effectively. Since 2003, and with the help of PPII, it has undertaken a corporate strengthening process and reinvented itself and its role within the national government. It has taken enthusiastic leadership of the PPII program. Key central agencies, such as the Department of the Prime Minister, National Economic Fiscal Commission (NEFC), and the Treasury, have supported it with increased budget allocations. The Australian Agency for International Development (AusAID) has provided extensive financial and advisory support. This leadership role of DPLGA is critical to the sustained success of the program. Strengthening DPLGA was the first step in the process and continues to be a priority.

Within each province, the provincial management team (PMT) leads the implementation of the Provincial Performance Improvement Initiative. It undertakes its own diagnostic process to identify the factors hindering it from delivering services more effectively, and constraining the implementation of development plans. This exercise eventuates in its corporate plan. It is then encouraged to prepare its own capacity development plan based on the corporate objectives identified in its corporate plan.

Each province's corporate plan typically focuses on six key results areas:

- **Provincial and district management teamwork** – The provincial administrator, deputy provincial administrators, district administrators, provincial division heads and advisers, and treasury officers need to work together and coordinate effectively.
• Provincial management team and district management team relations with stakeholders – The provincial management team (PMT) and district management teams (DMTs) need to work effectively with key stakeholders, such as elected leaders, national agencies, civil society, and the private sector. The support of these stakeholders is critical to improved service delivery.

• Performance management – Efficient performance planning, monitoring, and reporting by PMT and DMTs are essential to good performance and accountability.

• Managing the budget and financial systems within the province – Effective links between budget and plans; integrated budget management, taking account of all sources of funds.

• Managing human resources – the public service at the provincial and district levels – Effective personnel structure and human resource systems; recruitment, induction, training, performance management, and staff appraisal.

• Managing the assets of the province – equipment, vehicles, and infrastructure, including buildings, etc. – Inventory control, acquisition and disposal systems, and maintenance programs.

**Principle 7: Sequencing and phasing**

The Provincial Performance Improvement Initiative (PPII) began with strengthening the Department of Provincial and Local Level Government (DPLGA). More than 6 months were devoted to helping the department review itself as an organization, its mandate, and its performance, and then to develop a corporate plan. It undertook a reorganization, recruited new staff, and substantially refurbished itself organizationally by the end of 2004, with a view to enhancing its capacities to lead PPII in the provinces. DPLGA also needed to improve its image among peer national agencies, and recover the credibility it had lost over the years. With this in view, PPII has systematically assisted DPLGA to link more effectively with national agencies, underscoring its role as the key link for coordination between the national government and the provinces.

The second step was to revitalize the Provincial and Local Level Services Monitoring Authority (PLLSMA). This authority
is mandated under the Organic Law as a mechanism for the national government’s oversight and supervision of provincial performance in service delivery. It had never operated effectively until revitalization began in late 2004. The PLLSMA is essentially a committee comprising the secretary of DPLGA as its chair and all the key national agencies as its members. It is supposed to coordinate minimum national standards for service delivery, coordinate implementation of national policies by provinces, and receive/review annual performance reports by provinces. PPII assisted the re-start of these functions, most importantly, the performance reporting by the provinces on services.

After the initial phase, which, as described above, focused primarily on the national agencies, PPII reached out to the subnational governments, province by province, at the invitation of each provincial administration. The first step, as mentioned earlier, was the corporate plan.

PPII’s work with each province is also phased. The basic assumption is that the capacity development process must be gradual and systematic. Tangible results in service delivery efficiency cannot be achieved unless basic administrative systems are first addressed. The four phases through which each province must proceed are shown in the following diagram.
The focus and pace of the capacity development process in each province is completely dictated and controlled by the respective provincial administration. The key frameworks remain to be its corporate plan and its capacity development plan. However, a province’s move from one phase to the next is contingent on specified performance criteria. These are described under the next principle, which relates to the use of incentives.

**Principle 8: Adopt incentives**

Capacity development is a long-term process. Over an extended period, there are inevitable changes in the leadership and staff of the agencies/organizations concerned. Motivation for change could potentially be diluted over time. Also, there are risks that the agency being supported could gradually take the assistance for granted and the intensiveness of ownership, commitment, and effort to improve itself could lapse.

In view of the above, PPII has built into its design a number of incentives. The nature of services and the extent of financial support differ from phase to phase, increasing as the province moves from one phase to the next. However, a province cannot move from one phase to the next unless it demonstrates that it fulfills the capacity criteria pertinent to the current phase.

Thus, in the preparatory phase, it must show that it has indeed completed its corporate and capacity development plans and had them endorsed. Otherwise, it cannot move to the next phase. To move from phase 1 to phase 2, it must demonstrate that it has achieved the minimum required efficiency in basic public administration systems and process.

A description of the phases of PPII and a summary of the criteria and incentives of each phase are presented below.

**Preparatory Phase: Corporate Planning and Diagnostic Analysis**

- No financial incentives, only advisory support for preparing the corporate and capacity development plans
- Eligibility criteria to move to phase 1:
  - must have a finalized corporate plan;
- able to demonstrate that implementation of the corporate plan has begun;
- has in place a functioning provincial management team (PMT); and
- has formally agreed with Department of Provincial and Local Level Government (DPLGA) on the capacity needs that it wishes to address with the assistance of DPLGA and Australian Agency for International Development (AusAID).

**Phase 1: Focus on Corporate Management**

- Purpose is capacity development
- Financial incentives: Up to K250,000\(^3\) per annum, provided primarily for capacity development purposes
- Eligibility criteria to move to phase 2:
  - Has in place functioning PMT and district management teams (DMTs);
  - Has an integrated process for development planning and annual budgeting that combines all sources of funding and clearly indicates allocations for services district by district;
  - Has used the service delivery function grants of the previous year satisfactorily as per criteria and assessment of the National Economic Fiscal Commission (NEFC);
  - Has an up-to-date staff database and established job descriptions for all positions, and has put in place a performance-oriented staff performance planning and appraisal system, which focuses on outputs to be delivered by each staff;
  - Has in place a functioning operations performance management system and has been submitting an annual provincial performance report to DPLGA on a timely basis;
  - The PMT/DMT provide regular policy briefs and issue-briefs to the provincial executive committee and the political budget committees on relevant issues; and

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\(^3\) Exchange rate used, $1 = K2.939 (24 September 2007).
- Has an inventory of all key assets of the province, an asset maintenance program, and an asset acquisition/procurement policy and procedure.

**Phase 2: Focus on Service Delivery**

- Purpose is both capacity development and support for service delivery
- Financial incentives: large infrastructure grants provided, from K500,000 to K1 million per annum; examples range from road or jetty repairs to staff housing at the ward level to facilitate more effective service patrols
- Eligibility criteria for annual financial incentive payments:
  - Mandatory criteria: (i) has used the national service grants of the previous year satisfactorily as per criteria and assessment of the NEFC, and (ii) has shown satisfactory progress on the use of the previous year’s allocated incentive payment of the Provincial Performance Improvement Initiative.
  - Province-specific criteria: negotiated between DPLGA and the PMT before April of each preceding year, based on performance progress and milestones to be achieved.
- Eligibility criteria to move to phase 3:
  - Continues to fulfill the criteria for provinces to move into phase 2; Service delivery performance meets standards laid down by the National Monitoring Authority and the national departments;
  - Senior staff are competent and available to act as resource persons to assist other weaker provincial and district management teams (PMTs and DMTs); and
  - Has clearly identified, economically prudent, revenue-strengthening measures in place.
Phase 3: Focus on Financial Sustainability

- The subprograms of phases 1 and 2 will continue only as necessary
- Subprogram on strengthening the revenue base
- Use of PMTs and DMTs as “guides” to weaker provinces. This is an incentive for provinces to move into phase 3, where they are looked up to by weaker provinces.
- Budget support will be reduced in proportion to increases achieved in internal revenue through assistance in this phase.

Principle 9: Support existing structures and processes as far as possible. Support local innovation.

The Provincial Performance Improvement Initiative (PPII) has consciously adopted the principle of supporting existing systems and processes where possible, and building on them. PNG had an effectively functioning service delivery system some 20 years ago, which had been developed taking account of local conditions and capacities. Over the years, political influences and managerial neglect led to their deterioration. PPII promotes the reestablishment of these systems and, where possible, their refinement and improvement.

PPII is also encouraging provinces to experiment with new approaches to service delivery. These must be locally developed and responsive approaches, taking account of local capacity. One key support service of PPII is the Inter-Provincial Exchange Program. Under this program, good practices identified in a province are shared with others so that provinces learn from each other and are encouraged to experiment and innovate. East New Britain Province, for example, has begun a systematic program for strengthening its links and communication processes with each of its local governments. Eastern Highlands Province has developed a highly effective budget review process to keep tight control over its expenditure management. Milne Bay Province has taken the initiative to update its development database, district by district, using local expertise.
WITH CAPACITY DEVELOPMENT

WITHOUT CAPACITY DEVELOPMENT
CAPACITY DEVELOPMENT RESULTS TO DATE

PPII is still in its early stages of implementation. However, impacts are being felt at the system and process levels. More importantly, PPII has mobilized nationwide attention to the issue of service delivery, and engendered renewed motivation and interest in provinces wanting to become involved in the initiative to improve their services.

Key progress indicators to date include the following:

**Strengthened Capacity of the Department of Provincial and Local Level Government**

- The Department of Provincial and Local Level Government (DPLGA) Corporate Plan was approved in 2004.
- PPII has been mainstreamed into DPLGA's work stream as its main initiative.
- DPLGA has restructured itself to support PPII. A full division is now dedicated to coordinate implementation.
- DPLGA staff now have a close working relationship with most provincial management teams (PMTs).
- DPLGA has revived the Provincial and Local Level Services Monitoring Authority to hold provinces accountable.
- DPLGA now analyzes each Section 119 annual provincial performance report, and prepares its annual report to the Minister for Inter Governmental Relations.
- Extensive resources are being mobilized with the assistance of the Australian Agency for International Development for PPII programs.

**Strengthening Management Systems in Provinces**

- Corporate planning has been undertaken in 13 provinces at their request.
Eight provinces now have approved corporate plans and related capacity development plans under implementation.

Eight provinces have functioning PMTs (which include district administrators).

Two provinces have established provincial coordinating and monitoring committees (which include representatives of national functions) to monitor services.

Twelve provinces now report on their service performance through the Section 119 annual provincial performance report.

DPLGA now has a “progressive database,” which tracks improvements in each province.

**Budget and Human Resources Management in the Provinces**

- Eight provinces are now starting to link more effectively the annual budget process with their 5-year district development plans.
- Eastern Highlands and Sundaun provinces have achieved most progress.
- Five provinces have restructured their staffing.
- Staff databases have been updated in Eastern Highlands, East New Britain, and Milne Bay provinces.
- The issue of “casuals” and unattached staff is being addressed in Eastern Highlands province.
- Training needs analyses and human resources improvement plans have been undertaken by Eastern Highlands, Milne Bay, and Sundaun provinces.

**Strengthening Coordination between Provinces and Districts**

- District administrators are now an integral part of the provincial management teams.
- Integrated performance planning and budgeting to link provincial plans with district plans is now progressing in eight provinces.
- Central and Sundaun provinces have relocated majority of their staff to the districts.
- East New Britain has created a local-level government (LLG) tool kit to enhance capacities at the LLG level.
- PPII funds have been applied to improve district infrastructure in Central, Eastern Highlands, and East New Britain provinces.
Strengthening the Links between National and Provincial Governments

- The National Monitoring Authority now functions and is being used by national agencies, such as the National Economic Fiscal Commission and the Department of Agriculture, to communicate national policies to the provinces.
- The Provincial Performance Improvement Initiative (PPII) has a steering committee, which includes representatives of all key national central agencies. They come together regularly to discuss progress.
with CAPACITY DEVELOPMENT
SUMMARY

Summary of Key Capacity Development Lessons from the Pilot Phase of the Provincial Performance Improvement Initiative

The key lessons from the pilot phase may be summarized as follows:

- The provincial management team (PMT) is the central coordinating and management body in the province and should be the focus for support from PPII and other similar initiatives. PMTs need to be empowered to fulfill their role of coordinating the development of their divisions/districts, including inputs from the national government and funding agencies.

- Strong political (governor) and high-level administrative support (provincial administrator) has been a key ingredient to successes and achievements so far in PPII. Lack of this support can be an impediment to the reform process under PPII.

- A strong coordinating relationship between the provincial executive council and the joint provincial planning and budget priorities committee on the one hand and the PMT on the other appears necessary for sustained service performance improvement. This also applies to the relationship between the district management teams and the local-level governments and joint district planning and budget priorities committees. This is particularly relevant with regard to budget allocation decisions at the provincial and district levels.

- Significant improvements in service delivery are contingent on improvements in corporate management and administration. A strong, effective PMT is essential.
• All levels of government are critical to service delivery. Supporting the correct level of government responsible for service delivery is important. PPII should support the service delivery system, as outlined in the Organic Law on Provincial and Local Level Government, and be mindful not to distort it.

• A district focus on service improvement plans is important. Provinces should identify targets by district (as against overall provincial targets), as part of their key coordination role. Broad provincial targets can obscure targeted planning and implementation.

• There can be an overemphasis on PPII’s budget support. It is management, coordination, and motivational changes in the administration at the provincial and district levels that make the most difference in performance.

• Each pilot province has different capacities with respect to management. The type of assistance provided should account for this (for example, more training and capacity development focusing on systems as opposed to more budgetary support). Furthermore, the differing capacities to absorb or effectively sustain any improvements in public administration brought about by PPII must be considered. Therefore, measuring the performance of provinces will need to be done under a framework that accounts for these differences. A “one size fits all” approach should not be used under PPII.
The Provincial Performance Improvement Initiative (PPII) is a Papua New Guinean (PNG) Government undertaking that seeks to improve public administration at the subnational level. The case study describes how PPII has benefited from “enthusiastic leadership” and a high level of PNG ownership. The initiative has also built on a systematic diagnosis of capacity issues, with PNG stakeholders playing a central role in both the diagnosis and in the subsequent preparation of capacity development plans for participating provinces. This AusAID-funded initiative has a projected time frame of 15–20 years with a design that recognizes the need to proceed at a pace consistent with the capabilities and absorptive capacity of participating provinces and districts.

This sub-series is published by the Asian Development Bank to provide the governments of its Pacific developing member countries (PDMCs) with analyses and insights on key issues and lessons learned with respect to capacity development. Cases studied highlight a range of experiences throughout the region by sector, theme and source of external support, revealing approaches to capacity development that work best and the conditions that have been conducive to their success. They also explore the unique challenges faced by PDMCs in addressing capacity constraints as well as some of the opportunities facing governments and the people in the Pacific islands. Among other things, the case studies underline the importance of PDMC leadership, engagement of local partners, strategic attention to long-term capacity issues and effective use of external resources. It is our hope that the findings in these reports will help to guide future capacity building efforts in the Pacific.

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