



THE NATIONAL
RESEARCH INSTITUTE
PAPUA NEW GUINEA

DISCUSSION PAPER

PAPUA NEW GUINEA'S PUBLIC SERVICE DELIVERY FRAMEWORK AT SUBNATIONAL LEVELS

Ron Duncan
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PNG NRI is mandated by legislation to carry out independent research and analysis on development issues affecting PNG. The legislation states that the functions of the NRI are:

- (a) the promotion of research into Papua New Guinea society and the economy
- (b) the undertaking of research into social, political and economic problems of Papua New Guinea in order to enable practical solutions to such problems to be formulated.

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Abbreviations & Acronyms

- CEO chief executive officer
- DDA district development authority
- DPLGA Department of Provincial and Local Government Affairs
- LLG local-level government
- MP member of Parliament
- MPA Minimum Priority Activity
- NCD National Capital District
- NRI National Research Institute
- OLPG Organic Law on Provincial Governments
- OLPGLLG Organic Law on Provincial Governments and Local-Level Governments
- PNG Papua New Guinea
- PLLSMA The Provincial and Local Level Services Monitoring Authority Services Improvement Program

Executive Summary

The *District Development Authority Act* of 2014 established District Development Authorities (DDAs) as the mechanism for disbursing development funds in districts and local-level governments (LLGs), replacing the Joint District Planning and Budget Priorities Committees. DDAs retain the planning functions of the earlier committees but are also responsible for service delivery. They were rolled out in most districts across Papua New Guinea in 2015.

This devolution in revenues and expenditures to the district level raises two important issues that have not been researched in detail. First, the existing DDAs differ in their administrative arrangements and capacities. What are these arrangements and how well are they working? Second, a considerable burden is now placed on staff at the district and local levels to deliver the services for which the DDAs are responsible. Therefore, one of the main challenges facing provincial and district administrators is to build the human resource capacity needed at these levels.

This initial National Research Institute (NRI) study of DDAs focused on four districts in two provinces. Its objectives were to:

- assess administrative arrangements, expenditures, recurring costs, and service delivery at the district and local levels;
- analyse human resource needs, constraints to building capacity at the district and local levels, and ways that such constraints may be overcome;
- establish a conceptual framework for future research on DDAs.

In August 2016, the study team carried out interviews in the Central Province districts of Rigo and Abau and the East New Britain Province districts of Kokopo and Gazelle. Interviews were also conducted in national government departments and other relevant organisations in Port Moresby.

A literature review was also undertaken to learn from decentralisation thinking and processes in other parts of the world and to develop a view of how the latest decentralisation reform in Papua New Guinea (PNG) fits with previous attempts.

The introduction of DDAs has coincided with significant budget cutbacks in PNG, which has made their introduction particularly difficult, with vital grant funding seriously delayed in 2015 and 2016. The uncertainty arising from the budget cutbacks has been compounded by the delay in finalising the new inter-governmental arrangements. A Ministerial Determination setting out the functional responsibilities for service delivery and development activities of DDAs and other subnational agencies is still being developed, as are the standards by which service delivery outcomes will be measured. To add to the uncertainty, legislation needed for full implementation of the DDA Act has not yet been passed. The responsibilities of provinces, districts, and LLGs need to be understood and agreed on if service delivery is to be efficient and duplication avoided.

In the absence of such guidelines, DDAs are being rolled out in different ways. A benefit of this diversity is that it allows districts to adapt implementation to their diverse geographic, economic, and other circumstances. However, the lack of a solid foundation for

implementation is eerily similar to the roll-out of the *Organic Law on Provincial Governments and Local-Level Governments* in 1995, during which there was also insufficient attention given to ensuring that the reform was properly undertaken.

For DDAs to be successful, they will require the right staff at the right location to coordinate and implement district and local-level service delivery programs and development activities. Staffing gaps are evident. Some districts have commenced reviews of their staffing establishments and some have submitted proposals for staffing changes. The fiscal viability of these proposals will be important, particularly in the current fiscal context with salaries, wages, and administrative costs making up more than 70 percent of total expenditures, leaving little for operational expenses such as transport. The hiring of new staff and/or relocation of existing staff will have significant non-salary implications, including the need for housing and leave entitlements. These will need to be factored into decision-making, perhaps between districts and key national-level line departments (such as Education and Health) and between districts and central agencies (especially Treasury and Personnel Management).

The capacity of the national government to monitor DDAs will be critical to their success, but is likely to present a significant challenge, given the problems that exist in communicating with PNG's 89 districts. Indicators of outcomes that show how effectively service delivery is being performed need to be developed. These should be as capable of objective measurement as possible and be available quickly on a regular basis, say half-yearly. Monitoring information will need to be analysed, synthesised, and communicated to the full range of stakeholders.

The intergovernmental funding arrangements introduced in 2009 to support the 1995 *Organic Law on Provincial and Local Level Governments* remain in effect. Under these arrangements, recurrent operational funding was transferred to the provincial level. DDAs will require access to this funding to discharge their service delivery responsibilities. Under the existing arrangements, these monies sit at the provincial level as function grants (for defined purposes) and provincial internal revenue. Analysis and discussion are needed on how to shape the intergovernmental financing system so that it can best support the introduction of DDAs and government service delivery.

With the implementation of DDAs, subnational coordination becomes even more important. Capital projects undertaken by districts and LLGs will often have recurrent cost implications. New infrastructure often requires more staff, more recurrent funding, and/or an increased maintenance burden. Thus, coordinated planning and consultative decision-making are critical between DDAs, provinces, and LLGs, together with key national departments and agencies.

The implementation of DDAs coincides with the introduction of city authorities (effectively, DDAs at city level) in Hagen, Kokopo, and Lae. Urban centres have been identified by government as critical elements of PNG's economic and social development. However, urban development has particular challenges, including access to land for residential and economic development; the advent of city authorities provides an opportunity to work directly on these challenges.

Staff and funding shortages were common complaints in the provinces and districts. However, efforts are being made to cope with these constraints, such as the hiring of experts on a short-term basis in Kokopo District. East New Britain Province has also moved quickly to relocate staff to LLGs—something that should have been encouraged even without the DDA reform.

Another initiative that could have relevance for other districts is the holding of DDA board meetings in different parts of a district during the year. This was said to have a positive impact on local ownership of the DDA concept and the projects being considered. Another

worthwhile idea is to actively involve technical staff in the DDA meetings, rather than having them attend only as observers.

Research recommendations: In its future research on these new intergovernmental arrangements, the NRI should consider the following issues, presented in order of timing and priority:

1. Given the uncertainty surrounding the DDAs both in government and in the wider community as well as the need for an effective implementation strategy and clarity on the relationships between the various levels of government, the NRI should undertake research as soon as possible on several issues, including the rationale for the establishment of DDAs and the supporting legislation needed to implement them. Once the Determination on functional responsibilities is finalised, intergovernmental financing arrangements need to be reviewed and recommendations made for aligning them in support of the new administrative arrangements.
2. Once the DDAs are operational, other questions will need to be studied: whether the intergovernmental functions and responsibilities as defined in the revised Determination have been understood and properly implemented, so that there is full consultation between all governmental parties and district plans are fully integrated with national and provincial plans; whether there is clarity over the roles and responsibilities of the provincial health authorities and DDAs (and other actors) with respect to health services; whether there is clarity over the provincial and district responsibilities for the village courts, transport, and works; whether the division of responsibilities between the DDAs and the city authorities (where applicable) are appropriate to the circumstances; and whether the new city authorities are receiving the support they require in critical areas related to urban development, such as land acquisition.
3. More information is needed about human resource needs and constraints to capacity building at the district and local levels. But for meaningful research to be carried out on this issue, greater clarity is needed about roles and responsibilities under the new DDA arrangements—in particular, whether these are to be uniformly prescribed or adapted to local contexts. Once the DDAs' mandate has been further clarified, the NRI should return to this question.
4. Appropriate indicators of service delivery and development outcomes will need to be identified in order to enable effective reporting from the districts to the identified monitoring authority (the PLLSMA). The NRI can assist in developing and implementing these indicators. The NRI could also study whether incentive schemes can be devised to improve service delivery under the DDAs, while minimising the principal/agent and moral hazard problems associated with service delivery. The national government-sponsored Consultative Implementation and Monitoring Council is doing valuable work in beginning to foster community involvement in district project priority setting and monitoring. The NRI should see what can be done to increase the scope of this work and improve its impact.

Ch. 1 Introduction

Wide-ranging changes in national and sub-national governmental arrangements have been undertaken in Papua New Guinea (PNG) in recent years with the aim of improving service delivery at all levels of government. District administrations have been, or are to be, made directly responsible for the delivery of important services in the districts and local-level governments (LLGs).

Since 2012, there has been a major allocation of public resources, through Services Improvement Programs (SIPs), to the provinces through the Provincial Services Improvement Program (PSIP), to district authorities through the District Services Improvement Program (DSIP), and to Local Level Governments (LLGs) through the Local Level Government Services Improvement Program (LLGSIP). In the 2016 national budget, capital funding to the provinces included K10.0 million in direct funding to each provincial SIP, K10.0 million per district under the district SIP, and K100,000 per LLG. An additional K5 million was made available for health and education. Ward committee members (councillors) and some village court officials are also now on the national government payroll. With the removal of fixed sector allocations, provinces and districts have greater flexibility in using this funding to address local development priorities.

In February 2014, the PNG Parliament amended the *Organic Law on Provincial Governments and Local-Level Governments* (OLPGLLG) to remove the Joint District Planning and Budget Priorities Committees. These were replaced, under the *District Development Authority Act*, passed in December 2014, with District Development Authorities (DDAs) as the mechanism for the expenditure of development funds in districts and LLGs. A DDA is a statutory authority, a legal entity that can enter into contracts for works and services, hold property, sue, and be sued. A DDA retains the functions of a Joint District Planning and Budget Priorities Committee but is also responsible for any service delivery functions and other responsibilities specified in a national Ministerial Determination (a legal document that sets out the responsibilities for each level of government with respect to the funding and delivery of services). DDAs were rolled out in most districts across PNG in 2015.

Under the new arrangements, part of the provincial budget may be allocated to districts, and the district administrator—also now the chief executive officer (CEO) of the DDA—may be delegated power by the relevant minister over district services such as law and justice, education, health, infrastructure, water supply, and agricultural extension. The financial delegation (approvals of expenditure) for district administrators has been increased from K5,000 to K500,000. However, the DDA does not replace the provincial government and cannot perform any of its functions in a way that is inconsistent with the plans or work of the provincial government.

The Provincial and Local Level Services Monitoring Authority (PLLSMA) will monitor the performance of the DDAs and the implementation of the DDA Act and give advice to the relevant minister to improve the performance of DDAs.

A DDA board, to which the CEOs/district administrators report, is chaired by the district's open member. Open members appear to be setting up DDAs quite differently from each other. These differences, if continued, will likely make it more difficult to establish

benchmarks for monitoring and comparing district performance.

It is envisaged that district supply and tenders boards will be established that would complement the provincial supply and tenders boards.

This devolution in revenue and expenditure control to the district level, which appears unprecedented in PNG's history, raises important issues that have not been researched in detail. First, as noted, DDAs differ in terms of their administrative arrangements. What are these arrangements and how well are they working? Second, a considerable burden is now placed on district and LLG staff to deliver the services for which DDAs are responsible. One of the main challenges facing provincial and district administrators is to build human resource capacity, given that housing, schools, medical facilities, transport, water and sanitation, and banking and postal facilities often leave much to be desired. In many districts it is likely that deficiencies in capacity will mean that there will be little improvement in service delivery for a considerable time.

The key motivations for NRI to undertake research on subnational service delivery were stated in the Terms of Reference for the consultancy to be:

- public complaints in regional and national development forums that development funds allocated to provincial and district governments are not used as intended; and
- the continuing poor delivery of services, particularly to rural areas where most Papua New Guineans live, despite bountiful government revenues derived from mining over several decades—which are evident from NRI's research on service delivery in PNG, including the PNG Promoting Effective Public Expenditure Project and a current project on provincial road management and employment.

Therefore, the objectives of this initial study were to:

- assess administrative arrangements, expenditures, recurring costs, and service delivery at the district and local levels;
- analyse human resource needs, constraints to building capacity at the district and local levels, and ways that such constraints may be overcome;
- establish a conceptual framework for future research on DDAs.

Ch. 2 Geographical focus and survey details

The study focused on Central Province (Rigo and Abau Districts) and East New Britain Province (Kokopo and Gazelle Districts). Central Province was chosen partly for its proximity to Port Moresby, with the provincial headquarters located within the National Capital District (NCD) and the districts of Rigo and Abau within driving distance. This might make it easier to hire better quality staff than it is in remote rural areas.

East New Britain Province was chosen for several reasons: First, it has been strongly committed to decentralisation for several years, which has involved moving staff from the provincial headquarters to the LLGs. Second, it is well regarded for its internal coherence, and therefore the districts may be further advanced in setting up their DDA structures. Third, it is viewed as a better-performing province—it was ranked first of 20 provinces in the 2013 Provincial Expenditure Review (NEFC 2015b). Kokopo, the provincial capital, is an urban district subject to the *Cities Commission Act (2015)*, and it was of interest to study a DDA within a city boundary. Gazelle is a rural district but has good access to the provincial capital.

Interviews were undertaken at provincial and LLG levels and with national government departments including the Department of Provincial and Local Government Affairs (DPLGA), Department of National Planning and Monitoring, National Economic and Fiscal Commission, Department of Education, and Department of Health. Discussions were also undertaken with the Institute for National Affairs and the Consultative Implementation and Monitoring Council. Interviews were requested from the departments of Treasury, Finance, Infrastructure and Rural Development, and Personnel Management, but it was not possible to arrange these, mainly because the survey coincided with a critical time in the preparation of the national budget. The national department staff who were interviewed had, in any case, little information on policy relating to the DDA Act and its implementation, or were unable to provide information because of the preliminary nature of internal discussions.

Discussions were held with staff from provincial and district administrations, including from offices responsible for health, education, roads, fisheries, agriculture and livestock, policy and planning, community development, and commerce; village courts; and in some cases district treasuries. In Rigo District, the interview team was fortunate in that its visit coincided with a meeting of the LLG Assembly and team members were able to observe part of the meeting and to discuss the DDA arrangements with the members of the Assembly.

Because the survey was intended to be exploratory and to establish a basis for future research on the development of the DDAs, the interviews were broadly designed to elicit information about the current situation and the new intergovernmental arrangements at the national, provincial, and district levels—in particular, what governance arrangements had been put in place at the district and LLG levels; the situation with respect to human resources, including capacity building; and the constraints to improvements in subnational capacity.

Ch. 3 Literature review

While federalism is an old concept, the emphasis on decentralisation, devolution, or subsidiarity in developing countries is only a few decades old. Much of the pressure on developing country governments, and on international financial institutions and bilateral donors, to place greater emphasis on fiscal decentralisation came from developing-country communities themselves. This pressure stemmed from the idea that transferring funding and responsibility for services from the centre to the periphery would give local communities more oversight and control over spending priorities and better transparency and accountability to deal with corruption and ensure effective priority setting and expenditure (Bird and Smart 2002). But as Scott (2005) has noted, subnational governments can also be susceptible to corruption, as local government personnel are likely to have personal connections with constituents and capacity may be weaker than at the national level. These problems may be counterbalanced by the increased flow of information between government and citizens.

Therefore, attempts at decentralisation or devolution of responsibility for expenditure raise questions about how spending priorities are set, how effectively spending is directed to the priority areas, how well vested interests and corruption are controlled, and how effectively the fungibility of the transferred revenues is controlled¹.

As a result of the emphasis on decentralisation, there has been an explosion in recent years of research into intergovernmental transfers in developing countries. This review covers only part of this literature, focusing on answering the questions raised above. We focus on the administrative arrangements of the decentralisation process, the forms of intergovernmental transfers, and the incentives that can be built into them to try to ensure good performance. We also briefly review the extensive literature on the decentralisation process in PNG to establish the historical context for this most recent policy.

3.1. The international literature

Schroeder and Smoke (2002) identified three common kinds of intergovernmental transfers, based on the degree of autonomy granted to the local governments in deciding how to use them: (1) general-purpose transfers, which can be used for any purpose; (2) earmarked transfers, which impose minimum service delivery targets (e.g. in education or health); and (3) sectorally limited block allocations, which allow local governments to choose how the funds are used within a specified sector.

The fiscal decentralisation literature also recognises four approaches to fiscal allocations to local governments:

1. The “origin” approach returns some or all of the tax revenue to the subnational government where the tax was collected (e.g. a value-added tax, collected centrally,

¹ Morrissey (2002) distinguished three kinds of fungibility: (1) general fungibility, which arises when funds intended for one purpose are used for another; (2) categorical fungibility, which refers to the transfer of funds intended for one purpose to another purpose; and (3) non-additionality, i.e. the possibility that even if the funds are used for the intended purpose, they may free up other funds originally allocated to that purpose for use elsewhere, so that allocations for the intended purpose do not increase by the full amount of the transfer.

can be distributed in this way to provide an incentive for subnational governments to promote economic activities in their sphere)².

2. “Formula” allocations can help to minimise bargaining or lobbying by vested interests and promote stronger local fiscal performance (Ma 1997). They also allow the central government to use different formulas to promote specific policies in particular areas, such as education grants based on the number of school-age children in an area, or health grants based on the population of an area or on its health characteristics (Schroeder and Smoke 2002). It is also argued that central governments can use formula-based grants to induce sound fiscal performance in local governments, such as increased revenue mobilisation (Lewis and Smoke 2015).
3. Cost-reimbursement transfers fully or partially reimburse local governments for expenditures on specific activities (Bahl and Linn 1992). The choice of full or partial reimbursement can affect local fiscal performance. Partial cost reimbursement can increase local tax effort and enhance local ownership of the ways the monies are spent. However, it can also lead to locally inefficient outcomes, such as fungibility of local expenditures. On the other hand, full cost reimbursement will not necessarily create an incentive for local governments to improve local services and does not respect local autonomy.
4. Ad hoc decisions, which are usually based on the thinking behind the central government’s annual budget.

Both conditional and unconditional grants can have perverse effects on local governments. While unconditional transfers provide greater flexibility, they can dampen local revenue mobilisation and local spending (Smart 2007). But conditional transfers do not guarantee local government spending, due to the possibility of fungibility. Hence, outcomes depend on the incentives—positive or negative, intended or unintended—incorporated into the system (Smart 2007). Grant eligibility can also include incentives such as conditionalities on local governments to meet predefined performance targets (Timofeev 2011).

As Reilly et al. (2015) noted in their report *Political Governance and Service Delivery in Papua New Guinea*, there has been a recent shift in emphasis, with respect to intergovernmental fiscal transfers, from so-called first-generation to second-generation fiscal federalism. The earlier focus was on equity and efficiency, but due to the generally poor outcomes, the emphasis has shifted to identifying incentives that can be built into the transfer system to improve outcomes. As Weingast (2009) noted, the latter approach recognises that officials have goals other than revenue but still need revenue to pursue these other goals.

Incentives can take monetary and non-monetary forms (such as rules and regulations). Bjornestad (2009) identified four kinds of fiscal incentive:

1. Fiscal resources are fiscal transfers from the central government, e.g. additional grants for marginalised regions or prioritised areas.
2. Fiscal responsibility is the provision of increased responsibility for revenue collection and delivery of services.
3. Fiscal autonomy is the provision of increased power to promote or respond to local needs and preferences for public spending.
4. Fiscal accountability builds into the system mechanisms to ensure that decision makers are held to account by their constituents.

The last of these four, in the form of outcome-based incentives and accountability mechanisms,

² See, for example, Ma (1997).

has received most attention from researchers and policymakers in efforts to devise ways to improve local government performance by overcoming fungibility problems, mismatches of priorities between central and local governments, principal/agent problems, and moral hazard problems (see e.g. Shah 2006; Eldridge and Palmer 2009; Leiderer 2012).

Leiderer (2012) emphasised the importance of principal/agent problems in the relationship between central and local governments. In this case, the central government (the principal) is transferring funds to the local government (its agent) in order for it to deliver certain services. However, operating at the local level, the local government officials will always have more information than the central government about the arrangements undertaken—a situation of information asymmetry. Therefore, working with less information, the central government will always be at a disadvantage in trying to ensure the services are delivered efficiently.

From a principal/agent viewpoint, conditionality—a “carrot” or a “stick” to encourage better performance from the agent—may be seen as a means for the central government to offset the information asymmetry problem. Conditionality may also help to counterbalance the resistance to good performance posed by vested interest groups. Bird and Smart (2002) argued that conditionality must also be a feature of a fiscal transfer system to counter fungibility. They argued that the outcome indicators used to measure the performance of local governments can enhance central government understanding of local government performance and thereby, over time, reduce the information asymmetry inherent in the relationship.

3.2. Service delivery in PNG

Service delivery in Papua New Guinea clearly needs significant improvement. As a recent study noted: “Despite significant increases in resourcing over the last two decades, service delivery in Papua New Guinea is still failing to reach most citizens.” This conclusion was drawn following a review of governance and service delivery that, in part, was undertaken to “assess the international literature on decentralisation and subnational governance . . . and review the history of subnational governance in PNG” (Reilly et al. 2015:1).

A key question addressed was “whether the decline in service delivery is causally related to the country’s political architecture”. The review concluded that “none of the basic institutional features of its system of government can be held directly responsible for service delivery failures. . . . Rather it is the way the institutions are used, and in some cases abused, that is the key issue” (Reilly et al. 2015:2).

Reilly et al. (2015) reviewed the development of subnational government in Papua New Guinea from 1977, covering the period of operation of the *Organic Law on Provincial Government* (OLPG) to the adoption of the OLPGLLG in 1995 and the *District Development Authority Act* of 2015. They observed that provincial administrators generally failed to perform responsibly; provincial accountability mechanisms were severely weakened by the OLPGLLG; provincial governments lacked resources and oversight of what happens in districts; and legal arrangements had had minimal impacts on the behaviour of politicians and bureaucrats in ways that would improve service delivery. Other detailed studies of decentralisation and service delivery in Papua New Guinea have found that efforts to decentralise appear to have failed, resulting in poor service delivery outcomes (Gelu 2008; Gelu and Axline 2008; NEFC 2005, 2010; Standish 2013; Ketan 2013)³.

³ For example, NEFC (2005) listed the following examples of deteriorating service delivery: buildings deteriorating to the point where they have to be closed, health services closed or lacking basic drugs and equipment, and road maintenance neglected to the point that the poor quality of the roads reduces acces-

Based on his first-hand observations over a decade and a half, Ketan (2013) described service delivery by the Western Highlands Province government as “a woeful record of administrative ineptitude, dreadful financial management and political interference with public service functions” (2013: 1). The details of poor governance at the provincial level which Ketan believed was rife throughout the country, included lack of administrative capacity for planning and policy implementation, lack of commitment by bureaucratic staff to their work, lack of incentives for staff to attend work on a regular basis, politicisation of appointments, political interference in administrative matters, excessive expenditure on salaries and emoluments, and the high number of staff in acting positions and casual appointments since 2002.

If these problems are as widespread as recent reports (e.g. NEFC (2005, 2010; Ketan 2013) suggest, improving provincial government performance will be key to better service delivery. But it will also be important to ensure that these problems are not repeated at the district level.

In 2009, the PNG Secretary for Treasury instructed provincial administrations to adequately fund 11 services identified as basic provincial responsibilities, known as Minimum Priority Activities (MPAs). These were drawn from the five key function-grant categories of agriculture and fisheries, education, health, transport infrastructure, and village courts (NEFC 2015b). Key performance indicators were identified for each MPA.

In its 2015 annual report, reviewing the 2014 progress of provinces in managing the administration of function and administration grants, the National Economic and Fiscal Commission noted that some provinces had difficulty implementing their budgets with a particular problem being their low spending rates (NEFC 2015). However, it was pointed out that this problem was “exacerbated by slow cash flow to Provinces from the National Government, making it difficult for provinces to effectively plan their spending” (NEFC 2015: iii).

A recent study (World Bank, AusAID and NEFC 2013) had examined the effectiveness of provincial expenditure from 2006 to 2010 on the three MPAs for health: operation of rural health facilities, integrated health outreach patrols, and drug distribution. The analysis also covered the spending on patient transfers to hospital care, the provision of water supply to rural villages, and supervisory visits to rural health facilities. The study found that the release of funding from the Treasury to the provinces was inconsistent and was often disbursed too slowly or too late to be spent effectively. Questions were raised as to whether and how the funds could go directly to the relevant facilities in order to improve the flow of funds and make their expenditure more effective.

Significant improvements were noted with respect to provincial spending on the operation of health facilities and perhaps on outreach patrols. However, the data show that spending on other health activities—such as the distribution of drugs and other medical supplies, the transfer of rural patients to provincial hospitals, the provision of clean water, and the supervision of rural facilities was alarmingly low.

A follow-up study of provincial health expenditure in 2011 and 2012 (Cairns and Hou 2015:19) found that the disbursement of funds from Treasury continued to be “highly variable.” Provincial spending increased on health facilities, outreach patrols, and the distribution of drugs and other medical supplies. On the other hand, there was ongoing confusion over the division of responsibilities between the national and provincial levels, and there was little expenditure on the supervision of health activities.

These findings are somewhat at odds with those from a 2012 survey of 360 primary schools and primary health care facilities across eight provinces (Howes et al. 2014). Many of these facilities

sibility to districts.

had been surveyed in 2002, and the report compared the results from the two surveys. Health clinics on average saw fewer patients and there was lower availability of drugs, while staff levels were unchanged. However, there were wide variations in performance across provinces, and church-run health clinics were seen as being better funded and equipped and delivering more health services. Health clinics were seen as being starved of external support, and most were not undertaking health patrols.

The results were substantially different for primary schools: more schools, more classrooms, larger numbers of children enrolled (including many more girls), more teachers, more textbooks, and better quality classrooms and teachers' houses, but also larger class sizes. In contrast to the health facilities, schools were receiving funding. It was also found that schools had well-established local governance arrangements. Nearly all schools surveyed had functioning boards of management and Parents and Citizens (P&C) committees.

By contrast, health clinics had no equivalent of a board of management, and village health committees were less widespread and less active than P&C committees. Schools were also more closely supervised by officials than health clinics.

A key question is the extent to which these differences can be explained by differences in the operation of education departments and health departments at a provincial or national level. We should also be mindful that funding arrangements vary significantly between schools and health facilities. Schools receive most of their funding directly from the national government, while health facilities are funded from the provincial administration budget.

One of the key lessons from the literature on PNG's new attempt at fiscal decentralisation is to link fiscal transfers with defined and monitored performance outcomes in ways that provide incentives for good outcomes—in other words, to adopt the second-generation approach to service delivery. One of the ways to do this is to use what have been called “tournament-based” approaches (Zinnes 2009)—implementing a form of competition among local governments and rewarding (say, with additional funds) those that perform well. These approaches require the development of indicators measuring performance and making them public—which, of itself, creates peer pressure for improved performance.

Another dimension of the second-generation approach is to place more emphasis on the demand side of the governance equation by involving local communities more in the monitoring of local government performance. As the World Bank (2004:1) noted, service delivery can be made effective “by putting poor people at the centre of service provision, by enabling them to monitor and discipline service providers, by amplifying their voice in policymaking, and by strengthening incentives for providers to service the poor.” Enabling community monitoring of service delivery also requires the development of performance indicators.

An endemic issue with funds generated at one level of government and spent at another level is the problem of moral hazard, in which those spending someone else's money do not have as keen an interest in how well it is spent as when they raise the funds themselves. This raises the question of whether some LLGs in Papua New Guinea should be encouraged to raise more of their own revenues and thereby develop more ownership of outcomes from expenditure on services.

3.3. Decentralisation of service delivery in PNG

From independence in 1976, when the provincial government system was established under the OLPG, until 1995, when the OLPGLLG was adopted, there was confusion

over the roles and responsibilities of national and provincial agencies⁴. The transfer of staff and functions also remained unclear. Both issues had an adverse impact on service delivery in the provinces. Axline (1986) argued that the OLPG was an attempt to create a federal system of government in PNG. In contrast, he defined PNG as a highly decentralised unitary state wherein the provinces are a creation of the national government, their powers are derived from the national government, and they can be changed or eliminated by the national government.

The OLPG had established the structure of provincial governments in respect of the composition of their administrative staff. However, many of the functions transferred to provincial governments were not accompanied by financial transfers. It could be argued that this was the source of the deterioration in service delivery in the provinces from pre-independence conditions.

However, the establishment of provincial government under the OLPG also led to the emergence of provincial politicians, who competed with national politicians over funds distributed to the provinces and LLGs. It now seems clear that provincial politicians' threat to national members of Parliament (MPs) was the key reason for the enactment of the OLPGLLG, and not poor performance on the part of provincial governments, as many claimed at the time. Under the OLPGLLG, provincial politicians were eliminated and provincial governments were comprised mainly of national politicians and local government leaders. National politicians also became provincial politicians and therefore did not have to compete with provincial politicians for funds to create favours for members of their electorate. But the OLPGLLG created new sets of rivalries: between national politicians with national goals and backbench MPs in provincial governments who supported provincial interests (Axline 1993), and between national MPs and bureaucrats in central agencies resisting decentralisation (Hoban 2006).

A rationale offered for the adoption of the OLPGLLG was that this combination of national MPs and LLGs would recognise the diversity and different levels of capability among provinces (Whimp 2005). Standish (2007:149) also argued that the OLPGLLG was undertaken on the pretext of decentralising power while it had the opposite effect of recentralising power over the bureaucracy and giving MPs "virtually untrammelled control over district operating funds and strong influence over staffing." The OLPGLLG maintained a national public service with officers assigned to the provinces. Unfortunately for the development of capacity at the local level, training of officials continued to take place at the national level and was effectively limited to bureaucrats in Waigani.

As evidenced above, there was limited improvement in service delivery following the 1995 reforms. An analysis of those reforms by Simonelli (2003) sounds eerily like the way that this latest reform is shaping up; it began by identifying the same problems (including poor service delivery, location of politicians and public servants in cities and isolated from rural populations, poor support infrastructure, and lack of experienced and capable staff). Simonelli concluded by arguing that the shortcomings of the 1995 reform stemmed from several problems, notably:

- The reforms were not sufficiently well defined.
- There was no overall statement of intent.
- Not enough was done to secure the understanding and support of all stakeholders.
- Implementation was rushed.
- The implementation strategy was poorly prepared.

These conclusions are very similar to the conclusions that this study has reached about the

⁴ Much of the material for this section was drawn from Gelu and Axline (2008).

progress to date of the implementation of the DDA Act.

Similar to the questions over the genesis of the 1995 OLPGLLG is the question of the origins of the DDA concept. Hoban's analysis for the NRI (2006:19) stated: "... existing local government units are not appropriate in scale, finances, or functions to assume a lead role in the national development project; ..." Hoban argued that the 2006 system (18 provincial governments, 299 LLGs, four community governments, and 87 administrative districts) was too fragmented to enable the national government to fund a full range of services through it.

Peter O'Neill (2006), the current Prime Minister, argued in the same year for the establishment of district authorities that would provide dynamic structures within which LLGs could participate in development, policymaking, and wealth sharing. The DDA Act appears to be the fulfilment of the ideas expressed in this paper. However, the deficiencies noted by Simonelli (2003) about the 1995 reform appear to apply to the current attempt at decentralisation.

Ch. 4 The current situation

This section reports on the information received during interviews with national government departments and with provincial governments, DDAs, and LLGs. There was limited time in the field for the interviews and, of necessity—especially with respect to the national departments—limited involvement. It was not possible to arrange interviews with several departments, mainly because the survey coincided with a critical time in the preparation of the national budget. National department staff who were interviewed had little information on policy relating to the DDA Act and its implementation, or were unable to share information with the survey team because of the preliminary nature of internal discussions.

4.1. National level

4.1.1 *Department of Provincial and Local Government Affairs*

The DPLGA is working on a new Determination defining the allocation of responsibilities between the provinces, DDAs, and LLGs. The current *Determination Assigning Service Delivery Functions and Responsibilities to Provincial and Local-Level Governments* prepared by the DPLGA and issued by the Provincial and Local Level Services Monitoring Authority in December 2009, assigned responsibilities to provincial governments and LLGs. It covers 13 functions and responsibilities.

The Determination is being revised in light of the DDA Act. Therefore, the assignment of responsibilities between the three government levels is unclear, and a somewhat confusing situation exists in that DDAs have been established, and DDA boards appointed, without a clear understanding of their responsibilities. While assignment of responsibilities was relatively easy under the 2009 Determination, with LLGs having few major functions and responsibilities and the provinces having key responsibilities for most services, this is likely to be more difficult under the new system. Provinces differ substantially in their relationships with their districts and LLGs, and it may not be possible to address these relationships in a single, unambiguous, generic Determination.

DPLGA has also been working on developing minimum standards for service delivery, which the Department representative said will allow for flexibility across districts. These are also not yet publicly available. Districts will be expected to report on their service delivery, and their efforts will be judged with respect to the minimum standard. District reporting will be based on partnership agreements between districts and provinces—with district plans expected to mesh with provincial plans, which in turn are expected to fit with national development plans. Indicators or benchmarks for measuring performance by districts and provinces are also still to be developed. The performance reports will be delivered to the Provincial and Local Level Services Monitoring Authority.

The DPLGA representative advised that 56 of the 89 districts have established DDAs, which are working effectively. However, the Department has received the necessary documentation from only 27 districts. Given the absence of the Determination on functional responsibilities, the minimum standards, and the performance indicators, such a conclusion is impossible to draw at this stage.

4.1.2 Department of National Planning and Monitoring

The Department of National Planning and Monitoring is mainly concerned that district and provincial development plans are aligned with each other and with national development plans. Thus, representatives of the Department said that its primary concern is to see that national policies are working at the provincial level and below. However, it sees significant problems with local capacity to develop and implement plans and policies, consistently and reliably report on performance, and carry out effective procurement. With regard to procurement, the lack of engineering capacity at the local level was said to be a special concern.

The OLPGLLG required rolling five-year plans for provinces and LLGs. However, Mawuli and Sanida (2014) found that, more than a decade later, only a few provinces had produced two plans, while some had produced only one, and some not even one. It will be of interest to see if the Department of National Planning and Monitoring's focus on the consistency between national, provincial, and LLG plans bears fruit with respect to the development of planning and priority setting at the local level. In view of the history in this area, the focus on the consistency of planning may well reflect a national government intention to eliminate the tensions between the national and provincial levels over the direction of local-level expenditure.

Monitoring of LLG performance in meeting service delivery targets is the responsibility of the Department of Infrastructure and Rural Development, which is responsible for monitoring service delivery under the National Service Delivery framework. Unfortunately, the survey team did not have an opportunity to meet with staff from the Department.

4.1.3 National Economic and Fiscal Commission

Representatives of the National Economic and Fiscal Commission expressed some concern that the Determination will differ across provinces and districts and that this will make monitoring more difficult. It was also noted that a good deal of legislation still has to be passed for the DDAs to be fully implemented. Because of its limited staff numbers, the Commission itself will have little capacity for monitoring district and LLG performance.

Mount Hagen, Kokopo, and Lae have been designated as City Authorities, which means that they will function as DDAs. Commission staff raised the issue of the overlap in authority between the DDAs and the designated city authorities. In the case of Mount Hagen in Hagen-Central District, the *City Authority Act* of 2015 says that the boundaries of the city and the district are the same. However, in the case of Kokopo and Lae, the boundaries differ, which raises questions over which agency is responsible for which services. The issue was seen as being mostly a coordination problem that will need to be resolved, for example, with agreement over joint funding. However, until the Determination has been finalised, there is no clear definition of functions and responsibilities.

4.1.4 Department of Health

The Department of Health representative described the changes in intergovernmental arrangements for health that had taken place over the years, noting that the 1995 *Organic Law* did not fully decentralise health services, which adversely affected these services. The 1995 *Organic Law* disconnected the Department of Health from the districts such that it was expected to work through the provinces. While the national government is now trying to roll out DDAs across the country, the Department of Health appears to be pursuing a separate approach through district provincial health authorities, mandated by the *Provincial Health Act*. It was argued by the Department of Health staff that the provincial health authorities bring provincial hospital and rural health services together under one administration.

This separate path appears to relate to thinking by the Department of Health that the DDA

Act essentially relates to infrastructure and not to services such as health and education. This uncertainty seems to be fostered in part by the fact that the Determination on functional responsibilities has not been finalised. The Department of Health position appears to favour the provincial health authorities controlling all health services, or the formation of a partnership between DDAs and provincial health authorities, with the DDAs handling public health services (such as public health education programs) and the provincial health authorities handling all other health services, such as hospitals and health centres.

However, as recent reports show, the Department of Health appears to be struggling to hire sufficient staff to provide health services to the rapidly growing population (World Bank 2012). It was argued by the Department of Health that health services are much more labour-intensive than education (as they have to serve the whole population). Moreover, government funding of church health programs, which provided around 50% of health services in rural areas, has been cut by 45% in the current budget.

The Department of Health representative said that the Department has developed national health standards, which are seen as minimum standards for the provision of health services, down to the ward level, and these standards have been provided to the DPLGA with the request to fit them into the DPLGA's own minimum standards.

4.1.5 Department of Education

The Department of Education representative stated that lack of housing and poorer education facilities for the children of teachers are constraints on teaching capacity in the more remote LLGs, as these reduce the willingness of teachers to locate to these areas. The costs of providing housing in rural areas were said to be very high. Moreover, building materials for new housing may be delivered to provinces but not on-delivered to districts.

The main concern of the Department of Education is to see that national education policies are put into practice at the local level. However, while the central government funds school inspectors' salaries, other inspection-related costs are the responsibility of the districts. Therefore, the funding difficulties recently experienced by the districts are restricting school inspections.

As regards research, evaluation, and training, the Department of Health's main focus at present is the estimation of the unit costs of education, which relates to the recent implementation of the tuition fee-free education policy. The Division of Monitoring and Evaluation has only one staff member and has not been able to do any monitoring as yet. With respect to training, primary school teachers' colleges are having trainees who come from rural areas begin their teaching service in those areas. This appears to be working reasonably well; there is a study underway by teachers' colleges to track the progress of trainees.

Based on the limited information gathered from the national departments, it appears that the roll-out of the DDAs was premature. The reason for the change was not explained to stakeholders, the actions needed to implement the legislation were not well developed, and the implementation was rushed. The uncertainties obvious in the Department of Health's responses are symptomatic of the need for much greater clarity about the responsibilities of the national, provincial, and local-level institutions.

4.2. Provincial level

4.2.1 Central Province

Central Province comprises five districts (for administrative purposes), four open electorates,

13 LLGs, and 205 wards. The primary complaint from the provincial administrator and his staff was the lack of funds due to the national budget cutbacks. The absence of funding, including through function grants and district SIP grants, has meant an inability to implement any projects, train staff, undertake agricultural extension, or inspect village courts.

Planning was said to develop from the wards up to the provincial level. However, the Treasury Department exercises control over what is eventually included in the budget. The open member also has a say in what is funded.

District officers expressed some concern about the potential for overlapping of responsibilities to be defined in the new Determination. This could be a potential area of moral hazard, with the usual outcomes of mismanagement and excessive expenditure. However, the CEOs/district administrators had experienced no difficulty in reporting to two different masters: the DDA board and the provincial administrator.

A major financial problem noted was that around 70% of provincial funds go to administration (salaries and wages), with little left to fund programs and projects. A related problem raised was that the open member (also the DDA board chair) is biased toward new projects, which creates demand for recurrent expenditure. We know from past experience that inattention to funding for repairs and maintenance means that new infrastructure and buildings quickly fall into disrepair. However, the underlying problem is the disconnect between SIP funding for capital projects and the recurrent funding streams needed to maintain assets, which typically come from other sources. There needs to be better alignment between decisions on how to allocate SIP funding for development projects and the impact these decisions have on the recurrent funding streams, some of which are controlled at the national level and some at the provincial level.

4.2.2 East New Britain Province

East New Britain Province has four districts (and four open electorates) and 18 LLGs. It has been implementing its own decentralisation policy. Under a policy of “getting back to the basics,” the majority of public servants will be physically located at the district and LLG levels to support the delivery of basic services. The implementation of this policy is well underway and has involved a major staff restructure. The indicative targets are for 20% of staff to be at the provincial level, 20% at the district level, and 60% at the LLG level.

There is an alignment between the province’s decentralisation approach and the DDA concept. The provincial administration understands the national government’s desire to remove bureaucratic red tape and other barriers that can delay or constrain service delivery. Respondents noted there is a strong desire within the province, at both the political and bureaucratic levels, to make the DDA initiative work.

However, they did note particular challenges, including the need for demarcation of responsibilities and for effective monitoring and coordination mechanisms and relationships between levels of government. One respondent highlighted the issue of accountability where districts operate as an authority and can take action without consulting with or reporting to the province. This leaves the open member and the DDA board to choose whether or not to liaise with the province. The incomplete Kokopo District office complex is an example of arrangements whereby the DDA board undertakes a project without consulting the province regarding compliance with standards and practices.

However, generally, open members work closely with the provincial administration with respect to co-funding of significant projects in the district. The respondent maintained that the Joint Provincial Planning Committee (chaired by the governor) must continue to encourage and uphold the planning and budgeting system. The committee meets once each

quarter, as called for in the *Organic Law* of 1995. In 2016, East New Britain Province held only two such meetings.

Respondents also raised the concern that development projects—such as schools, health facilities, roads, power facilities, and water supplies—all need to meet national standards. The implied question was why the province would accept ongoing responsibility (with recurrent expenses) for an asset that had been poorly conceived or built and cannot be sustained.

With regard to the Kokopo city authority, respondents noted the issues that will need to be resolved regarding the existing boundaries. With the introduction of the city authority, certain bylaws will apply to urban constituents in Kokopo Town that would be nonsensical to apply to the district's rural constituency.

The province also noted that the resettlement process for people impacted by the Rabaul volcanic eruption continues and is an ongoing issue for the administration.

4.3. District level

Researchers visited four districts, two in Central Province and two in East New Britain Province. We sought to follow a level of standardisation but also to recognise the differences between the districts. For example, Kokopo District includes Kokopo City, the largest urban centre in the Niugini Islands, while Abau District, a four- to five-hour drive from Port Moresby, the nation's capital, is considerably more isolated. In between are the districts of Rigo and Gazelle, close to the large urban centres of Port Moresby and Kokopo, respectively.

The sections that follow profile these four districts and discuss our findings regarding DDA governance and structures, the enabling environment, and DDAs' effect on service delivery

4.3.1 District profiles

Rigo District

Rigo District is in south-eastern Central Province and borders Kairuku-Hiri District to the west and Abau District to the east (both also in Central Province) and Oro Province to the north. It has three LLGs: Central, Coastal, and Inland. The district headquarters is in Kwikila Town, which is a one-hour drive from Port Moresby. The Port Moresby–Kwikila road is sealed and in good condition.

The open member for Rigo District is the Hon. Ano Pala, who holds the ministerial portfolio for Justice and Attorney General. The DDA CEO for Rigo was appointed in January 2016. He understands that the DDA board has been sworn. A board meeting was held in May 2016. (Box 1 reports on attendance by the study team at an LLG Assembly meeting in Kwikila, Rigo District).

Box 1: Views from an LLG assembly in Rigo District

The survey team was fortunate in that a meeting of an LLG assembly was taking place when the team visited Kwikila. The team was allowed to sit in on part of the meeting and had the opportunity afterwards to talk with assembly members. Members presented contrasting views on the functioning of the new intergovernmental arrangements. Some said that the new arrangements should give more emphasis to views from the periphery and that decisions would be made by the DDA board, not in Waigani. Others felt that while the arrangements were new, the behaviour was little different: “the open member

still calls the shots”; “LLGs are brushed aside”; and “the same members are on the DDA board as on the [earlier Joint District Planning and Budget Priorities Committee].” More capacity building was seen to be needed if the LLGs were to play a stronger role.

One of the two women representatives in the Assembly (these are reserved positions) also said that the DDA was a change in name only. She also complained that the other Assembly members (all men) are paid at a higher rate for their Assembly work and are paid by the province, whereas the women members are paid by the district—and because of the district’s shortage of funds have not been paid.

Abau District

Abau District is in south-eastern Central Province and borders Rigo District (also in Central Province) to the west, Oro Province to the north, and Milne Bay Province to the east. It has three LLGs: Aroma, Cloudy Bay, and Amazon Bay. The district headquarters is in Kupiano Town, which is a four- to five-hour drive from Port Moresby. Much of the Port Moresby–Kupiano road is sealed and in good condition, with the last 40 minutes unsealed.

The open member for the Abau District is the Hon. Sir Puka Temu, a long-serving senior politician who holds the ministerial portfolio for Public Services. As the open member for the district, Sir Puka chairs the DDA board. The board was established in early 2015, and the practice of regular quarterly board meetings is said to be established. Meetings are held in locations across the three LLGs, and attendance is open to the local community.

Mr Trevor Tararau, who is from Abau, was appointed to the role of CEO in late 2015. Before that, he held a senior role with the DPLGA in Port Moresby. The district management team is highly experienced, with those interviewed being in their managerial posts between six and 16 years.⁵

Gazelle District

Gazelle District is in the north-western Gazelle Peninsula in East New Britain Province. It is a large district—both in geographic expanse and population—and shares borders with the other three districts in the province, Kokopo, Pomio, and Rabaul. Gazelle District has five LLGs: Central Gazelle, Inland Baining, Lassul Baining, Livuan-Reimber, and Toma-Vunadidir. The district headquarters is in Kerevat Town, which is a 45-minute drive from Kokopo City. The Kokopo–Kerevat road is sealed, but potholed and in need of maintenance.

The open member for the Gazelle District is the Hon. Malakai Tabar, who holds the ministerial portfolio for Transport and Infrastructure. As the open member for the district, he chairs the DDA board. The board was established in early 2015, and the practice of regular quarterly board meetings was said to be established. Meetings are held in locations across the five LLGs, and attendance is open to the local community.

The DDA CEO was appointed only recently. Before her appointment as CEO, she worked with the East New Britain Provincial Administration in the area of human resources. Several respondents noted that there been as many as three or four changes in the CEO position in a relatively short time. The district management team supporting the CEO is experienced, with the coordinators in education, health, and agriculture having served in their managerial positions between five and eight years, and the deputy administrator for two and a half years.⁶

⁵The Abau CEO was out of the district during the day of our interviews. However, we were able to meet him briefly on our departure from the district. Interviews were held with members of Abau’s district management team and the accountant from the district treasury.

⁶The Gazelle CEO was out of the district attending meetings in Kokopo during the day of our interviews, but interviews were held with members of Gazelle’s district management team.

The respondents said that a major staffing restructure was in progress.

A significant initiative is exploring a proposal to divide Gazelle District into two districts, creating a new district for the rural and less densely populated Baining area.

Kokopo District and the Kokopo City Authority

East New Britain's Kokopo District is the only district selected for this study with a large urban population. Kokopo City, the provincial capital and district headquarters, and now a City Authority, is the largest urban centre in the Niugini Islands. Kokopo District also includes a wider rural area extending inland to the southwest and southeast, and a maritime area including the Watom and Duke of York Islands. The district shares borders with the other three districts in the province, Gazelle, Pomio, and Rabaul. It has four LLGs: Bitapaka, Duke of York, Kokopo-Vunamami Urban, and Raluana.

The open member for Kokopo District is the Hon. Ereman Tobaining Jnr, who is in his first term of office. He has dual responsibilities as he is also the designated governor of East New Britain (the elected governor is presently serving as the deputy prime minister). The open member was the chair of the DDA board that was formed in March 2015.

Shortly after the DDA was established, the national government issued a directive establishing Kokopo as a city authority. As a consequence, the DDA and its board were replaced by the Kokopo city authority and its board. In practice, the only personnel changes were the addition of the chair of the local Chamber of Commerce and the CEO and deputy CEO of the city authority as members. The Kokopo city authority held two meetings in 2016—the first to swear in the members and the second to discuss the budget.

The district management team is relatively inexperienced, with most members having served only one or two years in their present positions.⁷ Respondents said that a staffing restructure was in progress.

With Kokopo District's blend of urban and rural constituencies, the issue of boundaries will need to be addressed as the city authority clarifies and establishes its jurisdictional responsibilities. As the deputy provincial administrator rightly noted, the rules that apply to urban communities are inappropriate to rural settings and vice versa. Respondents in Kokopo said they feared that the resolution of boundary issues would take a long time.

Respondents also noted the challenges that exist and may deepen with the duality of functions, as the new city authority seeks to serve large urban and rural constituencies with contrasting needs and priorities. The CEO said that the current thinking would see positions for two deputy CEOs created, one responsible for town services and the other for rural services. The new human resource structure would also try to address the difficulty in attracting qualified staff in areas such as engineering. The district is currently adopting several strategies to address this problem, including engaging qualified people on a short-term basis and using the expertise of the Department of Works and the Gazelle Restoration Authority when it is appropriate and possible to do so.

The city authority is considering many other matters. The use of land is a priority issue, with the district needing land for business expansion. Discussions are underway in the Duke of York Islands and on the mainland with the Catholic Church. The city's growing need for power is another priority, with PNG Power's capacity currently stretched. Project planning is well advanced, with provincial and district officials working jointly with a US-based company.

⁷ Interviews were held with the CEO, Mr John Talele, the deputy CEO, and members of Kokopo's district management team.

On financial matters, the CEO believes that accounting services for the city authority will follow along the lines of the district treasury model. Funding arrangements for the authority are yet to be discussed.

The Kokopo District administration has been based on the outskirts of the Kokopo urban area. With office accommodation in short supply in Kokopo, a new building is being constructed to accommodate the Kokopo city authority alongside one of the East New Britain Province administration buildings.

4.3.2 DDA governance and structures

This section reviews study findings on governance with a focus on DDA boards and meetings, district staffing, district plans, managing key relationships, and the supply and tenders boards.

In some districts, DDA meetings are being held in local communities, promoting a sense of local participation and engagement. The role of DDA CEO is both critical and challenging, operating at the interface between political, bureaucratic, and community interests. At the time of this study, most CEOs were relatively new to their roles.

The study areas differed in the extent to which the introduction of DDAs had affected staff structures. In Central Province, these have not changed, but East New Britain Province has already begun to relocate staff to the districts and LLGs, an initiative that can serve as a guide to other provinces and districts.

The coordination of the new district plans being developed under the DDA arrangements with provincial and national plans is likely to become increasingly important.

DDA boards and meetings

A key first step in establishing a DDA is the appointment and swearing in of the DDA board. According to the governing legislation, the board should comprise a chairperson (being the open member), the LLG presidents, and not more than three other members appointed by the open member, with at least one being a woman.

DDA boards were said to have been established and to have held some meetings in each of the four districts visited. In each of these districts, the three “other members” appointed by the Open Member were a church representative, a women’s representative, and a youth representative. Several respondents noted the similarity between the elected membership of the earlier Joint District Planning and Budget Priorities Committee and the DDA that succeeded it—the implication being that little had changed in this regard.

Of the three rural DDAs visited, Abau and Gazelle presented as organised and holding regular quarterly meetings (see Box 2). Both districts noted that, as a matter of course, quarterly

Box 2: DDA board meetings in Abau District

In Abau District, DDA board meetings are held quarterly, in different venues across the district LLGs. One respondent noted the positive impact created by holding the meetings in the villages, saying it generated a sense of local ownership, with large crowds in attendance. At the end of the meeting, a local ward member would speak and present the needs and concerns of the local community to the visiting officials of the DDA board. This exchange was viewed very positively.

Another respondent from Abau District shared that the DDA was exploring the idea of holding joint DDA board meetings at the borders with Alotau, Popondetta, and Rigo Districts. This was expected to help ensure better coordination of services and development for border communities.

DDA meetings were held in different venues and locations across their various LLGs, with public attendance welcomed and integrated as part of the schedule. (Section 28(1) of the DDA Act requires that “all meetings of a Board shall be open to the public.”) In another district visited, the establishment of the DDA board appeared less assured, with some uncertainty noted over the whereabouts of the documentation confirming the appointment of members. Nevertheless, even in this case, we were informed that the DDA had held a meeting in May 2016 and that another meeting was to be held soon.

With DDA implementation still in its early stages, there are opportunities for districts to learn from each others’ experiences. An issue mentioned on more than one occasion was the need for technical staff (e.g. from the education, health, works, and economic sectors) to have a greater voice in DDA board meetings and deliberations. The common practice appears to be for senior technical staff to attend DDA board meetings, but only as observers.

The situation in Kokopo District was more complex than in other districts visited. A DDA was established there in March 2015. However, this action was followed within six months by a national directive to establish Kokopo City as a city authority, which was in response to Kokopo City, Mount Hagen, and Lae being identified as the first urban centres outside of Port Moresby to be recognised as city authorities. The composition of the boards for the DDAs and the new city authorities were to be similar, except for the addition of the chair of the local Chamber of Commerce and the district CEO and deputy CEO as members of the city authority board. The Kokopo City city authority held two meetings in 2016—the first to swear in the members and the second to discuss the budget.

District staffing

The role of CEO was seen as a key element in the success to date of the DDA/city authority. It was noted that in the four districts the study team visited, the incumbent district administrators have been replaced by newly appointed CEOs. According to respondents, the Abau and Kokopo CEOs were appointed in mid and late 2015, whilst the Rigo and Gazelle CEOs (unusually, the latter a woman) were appointed in 2016.

With the introduction of DDAs, one of the more interesting developments to observe will be any changes to the staffing structures. In Central Province, both Rigo and Abau Districts noted that staff restructuring was underway, with submissions said to have been made to the provincial administration and the Department of Personnel Management. However, copies of the proposed structures were not available, and so it was difficult to establish what changes may take place under the new structures. In Abau District, it was noted that two new deputy CEO positions were proposed with responsibility for the social and economic sectors.

In Rigo District, a new staffing structure has been approved by the National Department of Personnel Management. However, staff commented that the new structure differs little from the previous one. District officers described themselves as consultants to the LLGs, but also said that they were fully able to manage projects. However, there were reservations about the extent of political interference.

From discussions regarding district staffing it was apparent that there are a substantial number of vacancies. In Rigo, the main constraint to the filling of vacancies was said to be the lack of housing, which is a national and provincial responsibility. However, provision of housing is not a condition of employment. A staff recruitment exercise was being planned. But given that administration costs and salaries and wages are such a large part of total expenditure, increasing the number of staff would not appear to be a high priority at

present. For example, the positions of four agricultural extension officers are included in the staffing structure, but only one post is filled. Given that the lack of funds is restricting farm visits, it seems of little help to recruit more staff into these positions at present.

In recent years, East New Britain Province has relocated a significant proportion of staff to the district and LLG levels. Under this policy, it is said that as many as 60% to 80% of subnational public servants are to be based at the district and LLG levels, with an emphasis on the LLG level. The new structure for East New Britain appears to have been approved, with staff acting in the new positions and permanent appointments expected to be made shortly. Senior appointments will be made first, and then appointments to lower levels will be confirmed. At the time of the survey, both deputy provincial administrators had “acting” rather than permanent assignments.

Table 1 summarises the current staffing arrangements in the four districts, including the restructuring in East New Britain Province. There, extension staff from agriculture and fisheries, officers involved in business development and community development, and environmental health officers have been relocated to the local level. Kokopo District includes the important functional area of town and urban services. With Kokopo’s new status as a city authority, its urban and rural responsibilities will be more clearly divided.

Table 1: Location of government staff in the study districts (brackets indicate staff who traditionally report to the national level)

Location	Rigo District	Abau District	Gazelle District	Kokopo District
	Central Province		East New Britain Province	
	CEO Planner [District Treasury]	CEO Planner [District Treasury]	CEO Deputy CEO [District Treasury]	CEO Deputy CEO [District Treasury]
				Town Administration & Urban Services
District Level	Sector Coordinators Education Inspectors Lands Officers Technical & [Works] Village Courts Inspector Agriculture & Fisheries ...Extension Business Development Community Development Health Environment	Sector Coordinators Education Inspectors Lands Officers Technical & [Works] Village Courts Inspector Agriculture & Fisheries ...Extension Business Development Community Development Health Environment	Sector Coordinators Education Inspectors Lands Officers Technical & [Works] Rural Electrification Proj.	Sector Coordinators Education Inspectors Lands Officers Technical & [Works]
	Health Workers [School Teachers]	Health Workers [School Teachers]	Health Workers [School Teachers]	Health Workers [School Teachers]
	LLG Administrations x 3	LLG Administrations x 3	LLG Administrations x 5	LLG Administrations x 3
LLG Level			Agriculture & Fisheries ...Extension Business Development Community Development Health Environment	Agriculture & Fisheries ...Extension Business Development Community Development Health Environment
	Health Workers [School Teachers]		Health Workers [School Teachers]	Health Workers [School Teachers]

District plans

Under the OLPGLLG, district administrations in PNG were mandated to prepare district plans on a five-year cycle. During interviews, many respondents noted the importance of the district planning process and the need for provincial, district, and LLG plans to align in a cohesive manner. All of the rural districts interviewed reported having district plans that covered the five-year period 2013–17, while the Kokopo District Plan was reported to cover

the period 2014–18; these plans were prepared before the introduction of DDAs in 2015. With the advent of DDAs, with their greater autonomy, the challenge in aligning the various plans and planning processes became even more critical.

Under the current intergovernmental funding arrangements, DDAs have access to K10 million per year through the DSIP for promoting development and improving service delivery. In a rural context, K10 million is a significant amount of funding that offers a district the opportunity to undertake a range of projects in areas such as education, health, transport, and economic development. However, these projects often have broader implications and require support from various recurrent funding streams.

As an example, the building of a new community health post will require the appointment of community health workers, which will require a corresponding increase in the health salaries budget and will have other human resource implications such as the need to provide housing for staff and their families. Each year the community health post will need to be supported with recurrent funding if it is to remain effective in delivering services. It will require regular operational funding for items such as basic medical and non-medical supplies, fuel for transport, and communications. For these reasons, the decision to build a new community health post needs to be coordinated with a variety of actors at the national, provincial, district, and local levels.

One CEO held strongly to the view that plans for expenditure in the district should come from the bottom (ward level) up and that the district plan should mesh with the provincial plan. In this case, given the open member's desire to drive the agenda with respect to planning and budgeting, there is clearly scope for tension over expenditure planning. As chair of the DDA board, with the ability to appoint all other board members except the LLG presidents, the open member has considerable power over the budget.

It is unclear to what extent the district plans are helping to guide decision-making about project selection for funding from the district SIP. Some respondents mentioned that the process of developing a new district plan was either underway or about to begin. It will be of interest to follow the district planning process under the new DDA system to see the connectedness between the plans and the decisions about district project funding. It will also be important to observe the level of consultation and alignment between the various supporting actors at district, local, provincial, and national levels.

Managing key relationships

The discussion around the district planning process points to a wider challenge that DDAs face in managing the many competing relationships that converge at the district and local levels.

The political and bureaucratic relationships between the province and district are clearly important. Governors and open members have their own priorities and areas of focus, and yet they need to work cooperatively for the betterment of the people. Such cooperation was evident in Kokopo, where major infrastructure projects are co-funded from provincial and district SIP grants. Provincial administrators and DDA CEOs need to plan and oversee the implementation of major project decisions and, equally importantly, their administrations must work collaboratively on the day-to-day business of service delivery—ensuring schools are equipped and inspected, health facilities are stocked and supervised, and costly transport infrastructure is inspected, repaired, and maintained. Positive examples were noted, with respondents in Gazelle confirming that good working relationships exist between the district/DDA and the provincial administration, and between the district/DDA and the open member.

In a similar manner, the open member and the district CEO should be cooperating across communities within their district at the LLG and village level, listening to local concerns, and coordinating the various development projects and service delivery programs that are needed.

Other key relationships also exist—for example, with national agencies (such as Health, Education, and Works as well as Treasury, Finance, Personnel Management, Planning, and the Department of Infrastructure and Rural Development), non-governmental organisations (particularly faith-based service providers), local businesses, and service providers such as PNG Power, the PNG Water Board, and Bank South Pacific.

Supply and tenders boards

With significant amounts of capital funding being channelled through the DDA, there is a continuing need for strong finance and procurement processes. The DDA Act (section 27) does provide for the minister to approve the establishment of a district supply and tenders board when satisfied that certain conditions have been met.

It appears that districts may be using a variety of procurement mechanisms and approaches. In East New Britain Province, district procurements under a specified amount are submitted to the district project management team or unit. Procurements above that amount are submitted to the provincial supplies and tenders board in Kokopo. Respondents advised that in East New Britain Province, the members of the district project management team or unit comprise the DDA CEO, a provincial technical adviser, a district technical adviser, and the district treasurer. In Abau District, one respondent indicated there was a desire to establish a district supply and tenders board, although this avenue was yet to be pursued.

4.3.3 The enabling environment

A range of factors enable good governance and service delivery at the district level. District treasuries provide accounting services to district and local governments and paying suppliers. However, the initiatives for district treasuries to provide banking and mail services appear to have stopped. Access to cash and banking facilities at the district level continues to be limited. This impacts local communities in their day-to-day lives, in business, and in government service delivery.

Postal services are extremely limited and often non-existent. Mobile phone networks have developed an expansive reach at the district level. In the districts surveyed, mobile phones are used in preference to landlines and two-way radios.

This section reviews selected enabling factors: the district treasury and government accounting services; district banking and mail services; and district and local-level communications.

The district treasury and government accounting services

The district treasury is a government accounting office that serves a district and its LLGs whilst reporting to the provincial treasurer and the National Department of Finance. Its primary function is to facilitate administration of the district budget by receiving revenue and making payments. Box 3 describes the Abau District treasury.

Beginning in 2004, there was a concerted push by the Department of Finance to establish district treasuries in all districts with an expanded mandate that included filling the gaps in mainstream banking and postal services. According to the 2015 national budget, 60 District Treasuries have been fully commissioned and made functional. However, that document did not specify how many district treasuries, if any, currently provide banking or postal services.

This study explored the functionality of district treasuries in the rural districts of Rigo, Abau,

and Gazelle. In all three districts, the district treasuries were reported to be open in 2016 and functioning as accounting offices, able to print cheques and access basic financial information from the Provincial Government Accounting System. Some respondents noted that financial reporting and services by the district treasury to the DDA could improve.

Box 3: Abau District treasury

The Abau District treasury reports to the Central Province treasury and ultimately to the national Department of Finance. The district treasurer is a local woman who has been with the Department of Finance for a long time. The district accountant is from Yangoru-Saussia in East Sepik Province, but has been in Abau for 13 years. The relationship between the DDA and the district treasury is an important enabling element, and largely relies on the inclusivity and cooperation of those involved. In Abau, these relations appear quite positive.

The treasury has seven positions: district treasurer, district accountant, examiner, logistics specialist, Provincial Government Accounting System machinist, paying officer, and cash officer. The last two positions were vacant at the time of writing.

District banking and mail services

Expanded cash and banking services were not available in the three rural districts under study, and in all three districts, respondents reported that the mail service that had previously been operated by the district treasury had been closed for several years.

With banking and mail services not available from the district treasury, public servants, local businesses, and the general public must rely on alternative providers; the lack of banking and mail services is a significant impediment to service delivery and development in these districts.

In Kwikila Town (Rigo District) there is no bank; the nearest is a one-and-a-half-hour road trip away in Port Moresby. Respondents said that cheques under K1,000 can be cashed at local trade stores for a fee of 20 percent. There is no PNG Post or courier service in Kwikila, so residents tend to use postal services in Port Moresby.

In Kupiano Town (Abau District) there is a Bank South Pacific branch, but it offers only limited services. Cash can be withdrawn and funds can be transferred electronically, but cheques cannot be deposited or cashed. For people with cheques, including government staff, the options are to make a four- to five-hour trip to Port Moresby or pay a fee to cash the cheque at a local trade store. There is no PNG Post or courier service in Kupiano; most residents use postal services in Port Moresby.

In Kerevat Town (Gazelle District) there is also a Bank South Pacific branch, but it offers only the same limited banking services as in Kupiano. Cheques can be cashed at a local trade store for a fee; full banking services are available a 45-minute drive away in Kokopo. The nearest PNG Post service is also in Kokopo. Courier bags can be bought in Kerevat town, but stocks sometimes run out.

Respondents in Abau District noted that the Department of Infrastructure and Rural Development had recently reviewed local cheque-cashing practices. The findings from such a review will provide valuable insight into practices across the country and help guide improvement in banking and financial services.

District and local-level communications

The mobile telephone network has become the mainstay of communications in each of the three rural districts and in Kokopo's rural areas. The Telikom landline service and two-way

radios have diminished markedly in availability and use.

In Kwikila Town (Rigo District), Digicel and Bmobile networks operate, with Digicel said to be the more reliable. In Rigo District, mobile coverage is said to be good in the coastal and central LLGs and more limited in the inland LLG.

In Kupiano Town (Abau District), Digicel and Bmobile networks operate, with Digicel coverage also available in the other LLG centres.

In Kerevat Town (Gazelle District), Digicel and Bmobile networks operate. The Digicel network is also available in the other LLG centres, with the Lassul Baining LLG having limited coverage. Telkom landline service is also available at the Kerevat District headquarters.

Respondents in all four districts said that health facilities no longer use two-way radios but now rely on the mobile phone network for communications.

4.3.4 DDAs' effect on service delivery

One of the stated motivations for implementing the new DDA arrangements was the desire to improve the delivery of government services to a largely rural population.

The direct impact of the DDAs on individual sectors appears to be limited at this stage. Respondents at the provincial and district levels noted the chronic and worsening delays they experienced in the timing of both function-grant and district SIP funding in 2015 and 2016. District coordinators in core sectors such as education, health, and agriculture said that their recurrent work plans had been seriously delayed or reduced as a result of lack of funding or delays in funding. The importance of provincial function-grant funds (not district SIP funds) was emphasised in this regard.

Respondents also noted a significant slowdown in district SIP project implementation with the delays and shortfalls in district SIP disbursement. These delays are said to have caused considerable confusion, with DDAs having to reprioritise and reschedule projects, whilst also managing the expectations that have been generated to add new projects to the project list.

There is clearly a broad awareness of the MPA (Minimum Priority Activity) regime introduced by central agencies in 2009. MPA posters could be seen in many district offices, and district staff often referenced MPAs in our discussions. Sector coordinators across the districts also noted the helpfulness of the old district SIP guidelines that defined allocations across the major sectors. The acceptance and appreciation of the guidance offered under the MPA regime and the old district SIP guidelines indicate that sectors welcome helpful direction and find it useful.

Transport infrastructure projects are typically large and expensive. Further work can be done to clarify roles and responsibilities in this area, with due regard to district-level capacity.

In each of the four districts, the survey teams conducted semi-structured interviews with sector managers on matters including district and local-level service delivery structures and capacity, service delivery implementation modalities, and the funding streams currently available to support these services and to develop the enabling environment. Interviewers also enquired as to the level of support that sectors receive from district SIP funding, and how those funds had been applied in recent years. This section presents the study's findings with a focus on possible early impacts of the DDA initiative on education, health, agriculture, transport infrastructure, and other services.

Education

Education coordinators in all four districts were interviewed by the survey teams. Those in the three rural districts had served between five and eight years in their roles. They noted that key

district education activities—including the distribution of basic school supplies and school inspections and supervisory visits—rely on provincial funding through function grants (not district SIP funds), and that chronic funding delays and shortages are constraining these activities. One example raised in Rigo District was that school inspection visits are a district cost, yet with the shortage of funds at the district level, this activity had become difficult.

Another respondent noted there is a perception that the education sector is well funded, yet most of this funding goes directly to schools and is not available to support district education responsibilities and activities.

Overall, there is a sense that district SIP funding is helping to develop education-related infrastructure, with two districts noting project funding for new primary schools, classrooms, and teacher houses. Another priority for district SIP funds was paying for district students to attend higher education institutions.

Health

District health officials in three of the four districts were interviewed: the health coordinators in Gazelle and Kokopo Districts (East New Britain Province) and an environmental health officer in Abau District (Central Province). It was unclear whether the position of district health coordinator exists in Central Province.

Key district health activities—such as outreach patrols, patient referrals, and facility supervision—rely on provincial funding from function grants (not district SIP funds), and the chronic funding delays and shortages were emphasised as constraining these activities. The national system of procuring and distributing medical supply “kits” to facilities was said to be generally effective, but these needed to be supplemented with additional medical supplies to ensure facilities had the right stock in the right quantities. The additional supplies are either sourced from local stores (Port Moresby for Rigo and Abau Districts and Kokopo for Gazelle District) or purchased from local suppliers. The district then arranges delivery to the facility. Resulting procurement and distribution costs are met at the district level—again highlighting the critical importance of a timely and predictable source of recurrent operational funding at the district level.

From the discussions, there was a sense that district SIP funding is helping to develop health-related infrastructure and equipment, and that the projects funded are varied and reflect the priorities of the district. In Abau District, for example, district SIP funding is reported to have supported the construction of staff housing, the addition of a new hospital ward, the building of a new community health post and a new aid post, and the renovation of an existing health centre. In addition, a fast “sea ambulance” was recently purchased from the Philippines for use by the district, particularly to serve the remote Amazon Bay LLG.

In Gazelle District, the health coordinator reported that during 2009–14, DSIP funds were used to reopen four aid posts and to replace another four closed posts with new community health posts that offer expanded health services to remote communities. The process of reopening rural facilities is intended to continue but is presently constrained by the delays and shortages in district SIP funding. Another district SIP project in Gazelle involved the procurement of equipment for the district hospital at Kerevat Town.

Agriculture

The survey teams interviewed senior agriculture officers in all four districts. Despite the importance of agriculture as the most accessible economic activity for the rural majority,

district agriculture services receive very little funding and relies almost exclusively on an allocation from the provincial function grant (not DSIP funds) to carry out its day-to-day activities. Most agriculture support activities take place at the local level and involve extension work, awareness-raising, or training. In East New Britain districts, under the province's new decentralised structure, agriculture officers are now based in the LLGs, much closer to the people they serve. It will be interesting to observe the impact of this initiative, and to assess its effectiveness in supporting the development of local-level economic activity.

Overall, it appears that relatively small amounts of district SIP funding are being allocated to agricultural development. Respondents in Abau, Gazelle, and Kokopo did note that project funding was allocated to help the local cocoa industry recover from an infestation of cocoa pod borers.

Transport infrastructure

Transport infrastructure at the district level is worthy of additional study. No transport officials participated in the interviews for this study, which raises the question of who at the district level is responsible for oversight, planning, coordination, supervision, and project management in this vital sector. In the district discussions there were references to the role of the Department of Works and provincial technical officers, but their responsibilities remain unclear. Given the high cost of transport infrastructure such as roads, bridges, wharves, and jetties, it will be necessary to develop a clearer sense of functional responsibility and district capacity.

In Kokopo District, respondents noted the difficulties they experience in recruiting qualified staff to work in this area due to the low public service pay grades. They cope by relying on the Department of Works and the Gazelle Restoration Authority to manage and oversee large projects. Whilst this resourcefulness is encouraging, it is sobering to think of the broader implications. If Kokopo District, which is situated near the largest urban centre in the Islands Region, is forced to adopt creative approaches to transport infrastructure management, what challenges confront the many districts and DDAs that are more remote?

Other district services

Senior district officers from other sectors—including planning, business development, community development, fisheries, and village courts—were also interviewed. As part of East New Britain Province's new decentralised structure, officers in Gazelle and Kokopo Districts who are involved in frontline business development, community development, and fisheries are now based in the LLGs, much closer to the people they serve.

District SIP funding was used in varied ways that reflected district priorities outside of the key sectors of education and health. The Gazelle and Kokopo DDAs have placed a high priority on rural electrification. Respondents said that significant hydro projects are in the planning stage to meet the needs of rural communities as well as growing demand in Kokopo City. For Gazelle District, the generation of surplus power to on-sell to the grid for other users, including Kokopo City, has the added attraction of providing a new and sustainable source of internal revenue.

Other uses of district SIP funding include small-scale tourism initiatives in Gazelle District to leverage East New Britain Province's appeal as a tourist destination. In Kokopo District, co-funding by provincial and district SIPs is supporting construction of a new building for the city authority and maintenance of a road. The DDA CEO noted the importance of communication in co-funding arrangements to ensure that all parties remain aware of the agreement in the face of sometimes fluid and competing priorities for SIP funds—particularly when funding delays and shortfalls create uncertainty and make expectations hard to manage.

In Rigo, respondents noted that village courts are a joint provincial/district responsibility, with the provincial government funding seven of the 11 positions. However, provincial wage rates are different from district wage rates, which creates significant difficulties. In 2015, responsibility for the village courts was transferred back to the national Department of Justice. But apparently the transfer has given rise to uncertainty about responsibilities. Interview participants said that legislative reform is needed to clarify the division of responsibilities, and additional training is needed for magistrates.

Ch. 5 Conclusions and recommendations

The introduction of DDAs has coincided with a period of significant budget cutbacks in PNG, which has made their introduction particularly difficult, with vital grant funding seriously delayed in 2015 and 2016. The uncertainty arising from the budget cutbacks is compounded by the delay in finalising the new intergovernmental arrangements. The new Determination, which will set out the functional responsibilities for service delivery and development activities of DDAs and other subnational agencies, is still being developed, as are the minimum standards by which service delivery will be measured. The responsibilities of provinces, districts, and LLGs need to be understood and agreed on if service delivery is to be efficient and duplication avoided. To reduce uncertainty, legislation needed for full implementation of the DDA Act should be enacted as soon as possible.

The roll-out of the DDAs has proceeded without a clear strategy, understanding of their rationale, guidelines for their relationships with other political entities (provinces, city authorities, and LLGs), or necessary complementary legislation. As a result, they are being set up in different ways. These differences may be seen as a positive, in allowing the reform to adapt to differences in geographic, economic, and other circumstances. However, in the incompleteness of its underpinnings, the reform is eerily similar to the roll-out of the OLPGLLG in 1995, when insufficient attention was given to ensuring that the reform was properly undertaken.

For DDAs to be successful, they will require the right staff at the right locations to coordinate and implement district and local-level service delivery programs and development activities. Recognising that this is a difficult transition period, this study sought to identify the existing staffing structures of the two provinces surveyed and the experience of the CEOs and district management teams. East New Britain had a devolution strategy that pre-dated the DDA legislation and is continuing to implement it, whilst respondents from Central Province said that they had put forward staff restructuring proposals but were not yet able to share information on their direction or details. Some districts have relatively experienced management teams, which may provide stability, knowhow, and direction; others are less experienced.

Staffing gaps are evident. Some districts have commenced reviews of their staffing and some have submitted proposals for changes in staffing. The fiscal viability of these proposals will be important, particularly given the current fiscal context and given that salaries, wages, and administration costs take upwards of 70% of total expenditure, leaving little for operational expenses such as transport. The introduction of new staff and/or relocation of existing staff will have significant non-salary implications, including the need to provide housing and leave entitlements. These will need to be factored into decision-making, perhaps between districts and key line national departments (such as Education and Health), and districts and central agencies (such as Treasury and Personnel Management).

Other constraints on capacity exist in the enabling environment at the district and local levels. Factors such as proximity to urban services, availability and reliability of electrical power, and access to telecommunications, mail, and banking services affect the ability of public servants to deliver services, businesses to carry out daily operations, and members of the community to conduct their daily lives. They also affect the ability of district and LLG agencies to recruit new staff.

The capacity of the national government to monitor DDAs will be a critical element in their success. This is likely to be a significant challenge, given the problems that exist in communicating with PNG's 89 districts. Indicators of effective services delivery need to be developed. These should be as objective as possible and be available quickly on a regular basis. Monitoring results will need to be analysed, synthesised, and communicated to the full range of stakeholders.

Capital projects initiated by districts and LLGs often have recurrent costs; for example, new infrastructure often requires additional staff and maintenance. Thus, coordinated planning and consultative decision-making are critical between DDAs, provinces, and LLGs, together with key national departments and agencies.

The implementation of DDAs coincided with the introduction of city authorities in Mount Hagen, Kokopo, and Lae. Cities have been identified by the PNG government as critical sites for economic and social development. However, urban development has particular challenges, including access to land for residential and economic development. City authorities provide an opportunity to work directly on these challenges.

Financial and staff shortages were common complaints. However, measures have been taken to cope with these constraints, such as the hiring of experts on a short-term basis in Kokopo District. East New Britain Province has also moved quickly to relocate staff to local jurisdictions—something that should have been encouraged even without the DDA reform.

Another initiative observed in the study districts that appears relevant to other districts is the holding of DDA board meetings in different parts of the district. This was said to encourage local ownership of the DDA concept and of specific DDA projects. Another worthwhile idea is to actively involve technical staff in the DDA meetings, rather than having them attend only as observers.

Research recommendations: In its future research on these new intergovernmental arrangements, the NRI should consider the following issues, presented in order of timing and priority:

1. Given the uncertainty surrounding the DDAs both in government and in the wider community, as well as the need for an effective implementation strategy and clarity on the relationships between the various levels of government, the NRI should undertake research as soon as possible on several issues, including the rationale for the establishment of DDAs and the supporting legislation needed to implement them. Once the Determination on functional responsibilities is finalised, intergovernmental financing arrangements need to be reviewed and recommendations made for aligning them in support of the new administrative arrangements.
2. Once the DDAs are operational, other questions will need to be studied: whether the intergovernmental functions and responsibilities as defined in the revised Determination have been understood and properly implemented, so that there is full consultation between all governmental parties and district plans are fully integrated with national and provincial plans; whether there is clarity over the roles and responsibilities of the provincial health authorities and DDAs (and other actors) with respect to health services; whether there is clarity over the provincial and district responsibilities for the village courts, transport, and works; whether the division of responsibilities between the DDAs and the city authorities (where applicable) are appropriate to the circumstances; and whether the new city authorities are receiving the support they require in critical areas related to urban development, such as land

acquisition.

3. More information is needed about human resource needs and constraints to capacity building at the district and local levels. But for meaningful research to be carried out on this issue, greater clarity is needed about roles and responsibilities under the new DDA arrangements—in particular, whether these are to be uniformly prescribed or adapted to local contexts. Once the DDAs' mandate has been further clarified, the NRI should return to this question.
4. Appropriate indicators of service delivery and development outcomes will need to be identified in order to enable effective reporting and monitoring. The NRI can assist in developing and implementing these indicators. The NRI could also study whether incentive schemes can be devised to improve service delivery under the DDAs, while minimising the principal/agent and moral hazard problems associated with service delivery. The national government-sponsored Consultative Implementation and Monitoring Council is doing valuable work in beginning to foster community involvement in district project priority setting and monitoring. The NRI should see what can be done to increase the scope of this work and improve its impact.

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