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**Government of PNG and United Nations Development Programme**

**Provincial Capacity Building Programme Phase II**

**INH766**

**Mid-Term Review**

**Rhonda Chapman**

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## Aid Activity Summary

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Country/Region	Papua New Guinea		
Primary Sector	Governance		

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## Author's Details

Rhonda Chapman is an independent consultant specialising in monitoring and evaluation of community development and capacity building processes.

The views expressed in this report are those of the author and not necessarily those of the Commonwealth of Australia. The Commonwealth of Australia accepts no responsibility for any loss, damage or injury resulting from reliance on any of the information or views in this report.

## Acronyms

AusAid	Australian Agency for International Development
DSP	Development Strategic Plan
DPM	Department of Personnel Management
DSIP	District Service Improvement Programme
DoF	Department of Finance
DPLGA	Department of Provincial and Local Government Affairs
FMIP	Financial Management Improvement Programme
FTB	Financial Training Branch
GoPNG	Government of Papua New Guinea
HR	Human Resources
ICT	Information and Communication Technology
IFMS	Integrated Financial Management System
LLG	Local Level Government
MPA	Minimum Priority Areas
MTDS	PNG Medium Term Development Strategy 20005-2010
NEFC	National Economic and Fiscal Commission
OECD	Organisation for Economic Cooperation and Development
OECD DAC	OECD Development Advisory Committee
PCaB (II)	Provincial Capacity Building Programme (Phase II)
PCMC	Provincial Coordination and Monitoring Committee
PFM	Public Financial Management
PFMA	Public Finances Management Act
PGAS	Papua New Guinea Government Accounting System
PNGIPA	Papua New Guinea Institute of Public Administration
PPII	Provincial Performance Improvement Programme
PSTP	Public Sector Training Package
PSWDP	Public Sector Workforce Development Programme
PLLSMA	Provincial Local Level Service Monitoring Authority
SNS	Sub-National Strategy
UNDP	United Nations Development Programme
UPNG	University of Papua New Guinea

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# Executive Summary

## Background and Context

The Provincial Capacity Building Programme Phase II (PCaB) supports the GoPNG Financial Management Improvement Programme (FMIP) by developing capacity around Public Financial Management (PFM) at the sub-national level and assisting with the implementation of the Integrated Financial Management System (IFMS).

PCaB is a joint programme of Department of Finance (DoF), UNDP and AusAID which focuses on capacity building in sub-national treasury functions. It builds on the developments of previous initiatives of the FMIP as well as other sub-national capacity building efforts including the Provincial Performance Improvement Initiative (PPII).

## Activity Summary

The design of PCaB Phase II covers a five-year period, 2008-2012, including a possible two-year extension subject to mid-term review. The goal of PCaB II is to strengthen sub-national financial management capacity in a sustainable manner. To meet this overall goal, the three primary objectives of PCaB II are:

1. Effective decentralisation of financial management
2. Enhanced accountability and transparency
3. Improved financial management capacity.

PCaB currently operates within six provinces with two advisors located in each – one working with the provincial treasury and one with district and local level government (LLG) treasuries. The six provinces are East New Britain, Western Province, Eastern Highlands, Milne Bay, Central Province and Morobe Province. Advisors provide support to their treasury team counterparts on the maintenance of current bank reconciliations and the preparation of financial reports. They provide structured training programmes as well as ongoing coaching and mentoring support. Computer labs have been established in almost all PCaB provinces for the purposes of providing ICT training and support for treasury staff. Progress to date has resulted in the back-log of bank reconciliations addressed with most provinces and many districts up to date. Advisors and DoF staff also report that the quality of financial reporting has improved. Some advisors report that there are improved relationships between administrators and treasurers, although this is not found across the board.

## Evaluation Findings

The review found that overall there are indications of good progress in improvements of the capacity of provincial treasury staff, and to a lesser extent at the district and LLG level. There is qualitative evidence to suggest that this has led to improved compliance to financial management and reporting requirements, although this was not able to be fully validated with quantitative evidence. The improvements in treasury functioning are a result of a combination of genuine improvements in capacity and direct technical input by advisors. The review found that financial reporting and treasury functions are operating best when there is a good relationship and information sharing between the provincial administrator and the provincial treasurer.

The high-turnover of staff and ongoing vacancies of key treasury functions, particularly at the district and LLG levels, continues to impede the ability of PCaB advisors to conduct effective capacity building and poses particular risks for the long-term sustainability of the programme. The model of capacity building used by PCaB seems to strike the right balance between structured or formal training and more

informal coaching/mentoring on an ongoing basis. There are some concerns regarding whether the PCaB advisors are finding the right balance between advising (including coaching and mentoring) and completing tasks themselves. The training needs within the provincial, district and LLG administrations are greater than the support PCaB can (or should) offer and PCaB could benefit by exploring other training programmes that are currently being delivered through the Public Sector Training Package.

The Internship Programme has facilitated some skills transfer in ICT, accounting and other areas to treasuries, and has given participating university students first-hand experience of working in provincial, district and LLG administrations. While the feedback was generally positive about the Internship Programme, this review did not find that the programme significantly supports PCaB's primary objectives.

PCaB cannot be successful if it does not effectively coordinate with other sub-national capacity support programmes, and the success of PCaB would be enhanced by more systematic coordination with other GoPNG and donor capacity support programmes operating at the sub-national level, such as the Provincial Performance Improvement Initiative (PPII) operated through the Department of Provincial and Local Level Government Affairs (DPLGA). It would also be beneficial to more effectively monitor financial management and service delivery improvements through enhanced linkages with formal GoPNG financial monitoring mechanisms such as those managed by NEFC and the Provincial Local Level Service Monitoring Authority (PLLSMA).

The monitoring and evaluation of PCaB currently focuses on the financial reporting and compliance components of the programme. There is inadequate collection and analysis of quantitative and qualitative data regarding the improvements in management processes and skills development, nor the collection of data that demonstrates clearly which provinces are performing better than others and why. There is also insufficient attention paid to learning and analysis of the capacity development process itself.

## **Lessons and Recommendations**

The overall conclusion of the review is that PCaB II is making good progress towards achieving its programme objectives and that it should continue to be funded. Due to their broad scope, the objectives of PCaB II are unlikely to be achieved without improved integration with other sub-national initiatives and government monitoring mechanisms. In order to address financial management bottlenecks at the provincial and district level and to service delivery more holistically, it is recommended that PCaB II incorporate increased focus and support for planning, budgeting and expenditure procedures as well as continuing to address financial reporting requirements.

There are sixteen recommendations addressing seven thematic issues. Due to the inherently long-term nature of such capacity building programmes, many of these recommendations will require longer than the potential two year extension of PCaB II to be implemented effectively. The recommendations are offered not only to provide more immediate improvements to the current management of PCaB II, but also as guidance for the planning and design of the programme beyond this current phase.

1. **Enhancing PCaB II Support to District and LLG Treasuries**, particularly to support the effective execution of District Service Improvement Programme (DSIP) funds.
2. **Strategies to ensure sustainable capacity development** appropriate to the specific needs and contexts of each province and to ensure the gradual

transition away from reliance on advisory support. This should be based on plans mutually agreed with stakeholders to outline a programme of progressive support through the cycle of financial management competencies.

3. **Supporting Provincial, District and LLG Planning and Budgeting Processes** as the next logical step in developing capacity in the financial management cycle.
4. Working with key HR advisors and provincial and district managers to ensure that the most appropriate staff are identified for **Financial and Other Training**, as well as liaising with other public sector training bodies to address more generic training needs and competencies.
5. Improved **integration with other Sub-national Initiatives** in order to ensure the sustainability and success of PCaB as part of a broader suite of GoPNG initiatives.
6. The opportunity cost of the **Internship Programme** should be assessed and consideration given to reducing or ceasing the programme.
7. **Monitoring, Analysis, Learning and Exchange** across the programme needs to be enhanced. The current M&E framework should be reviewed to incorporate systematic data collection and information gathering on programme outcomes and their contributions to improved service delivery and the Minimum Priority Areas identified by GoPNG. Improved learning opportunities are recommended for advisors and treasury staff as part of the action-learning cycle of capacity development.

### Evaluation Criteria Ratings

Evaluation Criteria	Rating (1-6)	Explanation
Relevance	5	PCaB support of the FMIP at the sub-national level is an intervention that is relevant to current strategies and programmes of GoPNG. The programme remains an important preparation for the DoF rollout of the IFMS, as well as providing support to the provinces more generally on improving compliance to DoF requirements. The relevance of the programme would be enhanced through greater integration with other sub-national capacity building initiatives.
Effectiveness	3	PCaB is effective in that it is well integrated in the six provinces it operates in. The role of the PCaB advisors varies between provinces, with some being used more effectively in a capacity building role than others. It is an important mechanism supporting the implementation of the FMIP and improved financial information at the provincial level but without further quantitative data it is difficult to determine how effectively it serves this purpose.
Efficiency	4	The management of staff and financial resources within the current design is managed within a 95% variance of programme budget allocation. Advisors report against the KPIs and work plans on a regular basis however this information is not analysed or synthesised in any systematic way. Advisors require operational budgets in order to more effectively work with district offices, and to provide them options for conducting training and coaching activities, particularly for remote districts and LLGs.

<b>Evaluation Criteria</b>	<b>Rating (1-6)</b>	<b>Explanation</b>
Sustainability	3	Locating PCaB within the GoPNG DoF provides a sound framework to promote the sustainability of PCaB as a programme supporting GoPNG systems. It is well integrated with the DoF Finance Training Branch (FTB) competency training programme, although sustainability could be enhanced through increased collaboration with PSWDP and other sub-national initiatives. One of the greatest risks to sustainability for this programme is the dependence upon PCaB advisors for the completion of critical tasks within provincial treasury offices. Sustainability would be enhanced through having negotiated work-plans and management strategies that include steps towards graduation with provinces, and through more systematic integration with other sub-national initiatives.
Gender Equality	2	Gender equality is not structurally addressed in the design of PCaB II. PCaB advisors attempt to ensure balanced participation in capacity building activities by women and men but this is largely beyond the control of PCaB as it determined by the gender composition of treasury staff. Gender equality in PCaB could be addressed through gender responsive budgeting in collaboration with other advisors for example PPI I.
Analysis & Learning	3	Analysis and learning is an aspect of the programme that has been neglected. The systematic analysis of the programme outcomes is not established, and the appropriateness of the design or activities is not systematically reviewed. There is no structured peer learning and exchanges between advisors or treasury staff despite this being recognised in the original design as an important aspect of sustainable capacity building.

**Rating scale:**

<b>Satisfactory</b>		<b>Less than satisfactory</b>	
<b>6</b>	Very high quality	<b>3</b>	Less than adequate quality
<b>5</b>	Good quality	<b>2</b>	Poor quality
<b>4</b>	Adequate quality	<b>1</b>	Very poor quality



# Introduction

## Activity Background

The Provincial Capacity Building Programme Phase II (PCaB II) supports the GoPNG Financial Management Improvement Programme (FMIP) by developing capacity around Public Financial Management (PFM) at the sub-national level and assisting with the implementation of the Integrated Financial Management System (IFMS).

Papua New Guinea's Medium Term Development Strategy 2005-2010 (MTDS) identifies the fact that the country has "Dysfunctional service delivery systems" and acknowledges that "if the MTDS is to achieve its objectives, the system of decentralized governance must be made to function far more effectively." The National Economic and Fiscal Commission (NEFC) listed the following reasons as contributing to deteriorating services:

- misappropriation and misuse of resources for service delivery;
- **lack of training and capacity of public servants;**
- lack of supervision and corresponding poor performance by public servants;
- confusion over who is meant to do what; and
- poor management and coordination.

PCaB is a joint programme of Department of Finance, UNDP and AusAID which focuses on capacity building in sub-national treasury functions. It builds on the developments of previous initiatives of the FMIP as well as other sub-national capacity building efforts including the Provincial Performance Improvement Initiative (PPII). PCaB is consistent with the overall aim of the FMIP, which is "to implement best practice and transparency in government financial management within and between National, Provincial and Local-level Governments in Papua New Guinea."

The phase II PCaB programme is a result of a design mission which took place as part of PCaB Phase I. Phase I began in 2005 and was originally intended to be a one-year intervention with the goal of designing a full-fledged intervention (current phase II). Along with the design of phase II, PCaB phase I had the following components:

- Support was to be provided to Provincial Treasuries through advisors, although the support did not include advisors specifically focused on districts.
- ICT support to Provinces in anticipation of the IFMS roll-out.
- Internship Programme for tertiary students.
- Support of the FMIP training wing at the PNGIPA.

An evaluation of the programme in 2006 had positive comments and recommended a one year extension to allow for a proper design of the phase II programme. The design of PCaB Phase II covers a five-year period, 2008-2012, including a possible two-year extension subject to mid-term review. The goal of PCaB is to strengthen sub-national financial management capacity in a sustainable manner.

To meet this overall goal, the three primary objectives of PCaB II are:

1. Effective decentralisation of financial management, by:
  - supporting efforts to roll-out the IFMS at the national level and prepare sub-national financial managers for the planned introduction of IFMS;

- supporting the district treasury roll-out through training and capacity building initiatives.
2. Enhanced accountability and transparency, by:
    - improving the quality and timeliness of financial reporting at the sub-national level to ensure compliance with legal requirements and to provide sub-national administrations with accurate and up-to-date information on their finances;
    - supporting effective treasury management systems incorporating more effective use of ICTs.
  3. Improved financial management capacity, by:
    - building sub-national capacity to implement the Public Finances (Management) Act and the Organic Law on Provincial and Local Level Governments;
    - improving strategic planning and coordination of treasury functions (within treasuries and with the administration) at sub-national levels;
    - ensuring better delivery and dissemination of training and research on sub-national financial management, drawing on the experiences of the provinces that have taken early initiatives to improve financial management.

## Evaluation Objectives and Questions

The aim of the review was to monitor progress in programme implementation, make recommendations on how to improve the programme and address risks to achieving programme objectives, if it is extended to 2012. The review also assessed whether the programme should continue in its present form or incorporate design changes to reflect shifts in circumstances and requirements. The main stakeholders of the review are the sub-national and national Government of Papua New Guinea (GoPNG), UNDP and AusAID.

This review evaluated PCaB II against the five OECD DAC criteria of relevance; effectiveness; efficiency; impact; and sustainability; and the additional three criteria of monitoring and evaluation; gender equality; and analysis and learning. The questions addressed under the OECD criteria (as defined in the Terms of Reference) are outlined below.

1. The review examined the **relevance** of the programme by:
  - Testing if a financial management capacity building intervention directed at the sub-national (Provincial and District) level in support of the FMIP is a continuing area that needs support.
  - Identifying and reporting on stakeholder expectations - including DoF, relevant Provincial Government managements and donors (AusAID and UNDP) and expectation achievement. Expectations may include such matters as reporting on progress, steering group arrangements, cost efficiency and advisor support and the contribution of expectations to achieving significant changes.
  - Identifying linkages and synergies to other programmes, programmes and activities both of Government and the donor community.
2. The review comments on the **effectiveness** of the programme by:
  - Assessing and reporting on the effectiveness of PCaB II as an intervention into building capacity – i.e. to what degree has progress been made towards achieving what it has set out to do (outputs) and progress towards achieving

the overall objectives (outcomes) as per the Programme Document and subsequent Annual Work Plans.

- Analysing the underlying factors beyond the programme's control that influence the achievement of development outcome.
- Analysing whether the strategy for achieving these outcomes been effective/appropriate.
- Assessing the degree to which PCaB II is integrated into the broader system of PNG Public Financial Management and service delivery reforms.

3. The review assessed the **impact** of PCaB II by:

- Assessing evidence regarding achievement of the three primary objectives of PCaB.
- Assessing any evidence of improvements/changes that have occurred as a result of the activity, including how are they evaluated or recorded and the nature and context of changes.
- Assessing any unintended consequences, good & bad, of the activity and responses to the consequences by stakeholders.

4. The review examined the **efficiency** of the programme by:

- Assessing to what extent the management arrangements minimise transaction costs of the PCaB Programme implementation (or financial management?)
- Evaluating the capacity and structure of supervisory and advisory management in place, including the delivery of inputs in terms of quality, quantity and timeliness

5. The review comments on the **sustainability** of the programme by:

- Analysing the level of ownership of financial management in Provinces, and the main constraints/opportunities for improving ownership for this programme.
- Assessing the level to which advisors are accountable to provincial administrators/treasurers and GoPNG and the method, levels and effectiveness of assimilating financial management principles into the Provincial Financial Management context and system.
- Identifying possible futures for PCaB II including discussion and recommendations on alternative options to providing support to the FMIP, apart from the current model such as, but not limited to:
  - Ceasing the intervention (with a rationale i.e it could be because while the focus is no longer appropriate, the implementing contractor is not, or it could be the approach has failed to achieve any impacts and the focus is all wrong!)
  - Maintaining the intervention by maintaining the status quo including justification and evidence for this.
  - Maintaining the intervention by altering the status quo – move from one or more (including all) of the 6 existing sites and take the intervention to a number of new sites – up to an agreed number. Provide rational for this approach eg move from existing Provinces based on evidence of

effectiveness and sustainability, or because political environment does not enable programme inputs to be effective.

- Maintaining the intervention by altering the status quo – maintain existing sites and adding more. Would also need to provide evidence, as above, plus cost-effectiveness of UNDP over other options, such as SNS/EPSS
- Maintaining the intervention, at an agreed number of sites but move away from some or all of the existing areas of focus ( e.g. financial reporting, reconciliations, training and interns) and incorporate a move to additional or alternative areas – e.g. trust account financial management, procurement, budgeting management reporting etc.

## **Evaluation Scope and Methods**

The scope of this review was to provide the stakeholders with a clear analysis of the programme progress and key lessons learned, and strategic recommendations that could enhance the programme in supporting Government's efforts to implement the "Organic Law on Provincial and Local-level Governments" and donor support to Public Financial Management (PFM) and service delivery reforms.

The approach for this review was one that emphasized collaboration between GoPNG and donor representatives. The methods used were designed to ensure the validity of the data collected. This was especially important given that a number of team members are involved in the management of the programme or have interests in its continuation, notwithstanding the benefits of having team members actively involved in the programme. The independence of the team leader and other team members ensured the validity of the information collection and analysis conducted.

The data collection for the review was conducted in PNG from 12 – 22 July 2010. A combination of methods was used to collect technical data focusing on financial and systems changes and qualitative data on the experiences of the programme participants and provincial administrations. Information about financial reports as well as a range of qualitative data collected through semi-structured interviews was collected. Interviews were conducted with a range of GoPNG stakeholders in 4 provinces and in National departments as well as with donors. The review explored the relationships between GoPNG national and provincial administrations, the functioning of the provincial, district and local level government administrations and drew on the knowledge, relationships and expertise of the PNG members of the team.

A copy of the review methodology is at Annex 2

## **Limitations of the Methods**

The primary limitation of the method was the relatively short time-frame for data collection and thus the need to limit the number of provinces visited. This meant that it was not possible to visit all provinces participating in PCaB and was addressed by visiting three PCaB provinces which represented varying performance in the programme as well as one non-PCaB province. A further implication of the limited time frame was that it was not pragmatically feasible to visit district or LLG offices apart from those located within reasonable proximity of the provincial administration. Therefore the representation of the experiences and perceptions of district and LLG staff is limited.

The key assumption of the review is that an assessment and understanding of financial management systems and processes at sub-national levels in PNG could be plausibly deduced by focusing the review at the provincial level. While this is

reasonable to some degree, given the limited representation of qualitative data from district and LLG offices, this review should not be the sole basis for decisions regarding significant changes to the nature of PCaB support provided to district and LLG treasury functions.

The focus on collecting qualitative data, and the allocation of the majority of team attention to this component of data collection emerged as another limitation of the method. While the focus on qualitative data collection was appropriate given the emphasis on capacity building, processes and relationships outlined in the scope and objectives of the review and the time required to conduct semi-structured interviews with a sufficient number of stakeholders, more diligent attention paid to the analysis of quantitative data relevant to the review would have been beneficial.

## **Evaluation Team**

The review team was developed to combine external and independent review with internal knowledge and financial understanding. The team combined people with little or no previous involvement in PCaB, those familiar with the programme but no direct involvement and two members who have responsibility for management of the programme (DoF and UNDP). The potential conflict of interests some team members was considered to be outweighed by the extensive operational knowledge of PCaB they brought to the review and was addressed by the independence of the remainder of the team as well as the methodology outlined above.

The team members and their respective roles and contributions to the review were:

1. **Ms Rhonda Chapman, Independent Consultant and Team Leader**  
Responsible for overall methodology, analysis and final report, providing support and mentoring on evaluation and interpretive analysis of qualitative data and for assessment of progress in the area of capacity development. The team leader is independent of PCaB and of GoPNG and donors.
2. **Mr Eddy Galele, Department of Finance/FMIP Programme Manager**  
Responsible for providing GoPNG insight into PCaB operations. Also responsible for assessment of systems and financial outcomes of PCaB II.
3. **Mr Raymond Kala, Department of Provincial and Local Government Affairs DPLGA:** responsible for assessment of capacity development progress in PCaB II. Also responsible for assessment of PCaB II contribution and synergy with the wider provincial administration and in contribution to improved service delivery. Will also consider the integration of PCaB II with other provincial programmes of support such as PPII.
4. **Mr Jacob Rongap, Department of National Planning and Monitoring**  
Responsible for consideration of PCaB II in the context of wider provincial planning and development outcomes, and issues related specifically to district funding through DSIP. Will assist in assessment of the value of PCaB II to wider provincial systems development and service delivery.
5. **Mr James Marshall, AusAID Canberra**  
Responsible for attention to AusAID requirements under the review. Also responsible for AusAID representation in all meetings with GoPNG departments and provinces.
6. **Mr Andrew Lepani, UNDP PNG**  
Responsible for providing some insider knowledge of the programme. Also responsible for assessment of financial and systems outcomes across PCaB II.

## Evaluation Findings

### Provincial, District and Local Level Government Treasury Functioning

The review found that overall there are indications of good progress in improvements of the capacity of provincial treasury staff. Those interviewed stated that this had led to improved compliance to financial management and reporting requirements, although the DoF reports tracking this compliance suggest more mixed results. Interviewees also reported improvements at the district level however most acknowledged that the results at the district and LLG level are not consistent due to a variety of reasons. DoF tracking of reporting indicates inconsistent results with the timeliness of reporting. While the backlog of bank reconciliations has been significantly reduced in some cases, others are still up to a number of years behind.

There is qualitative evidence that PCaB has led to measurable improvements in the basic functioning of treasuries at the provincial level and to a lesser extent district level. DoF and provincial treasury staff (including those from the non-PCaB province) report that the quality and timing of financial reports and bank reconciliations has generally improved and the back-log of bank reconciliations has largely been addressed at the provincial level. DoF reports tracking this improvement were sighted for one of the PCaB provinces and the non-PCaB province visited for the review. These showed that both provinces were up to date with their bank reconciliations and that their financial reports were satisfactorily reviewed, with only minor differences between the two provinces. Interviewees indicated that improvements at the district and LLG treasury offices was more mixed which was confirmed by the DoF reports sighted for two provinces. One PCaB province reported improvements in bank reconciliations with the majority of districts, however this was not one of the provinces for which a DoF tracking report was noted thus the claim was not confirmed with quantitative evidence.

Due to the lack of quantitative evidence sighted for other provinces, it is not possible to verify qualitative reports of improvements by other provinces visited with quantitative data. Nor is there data that tracks comparative improvements between different provinces, and thus demonstrate a general improvement overall or whether the improvement is greater in PCaB provinces compared to provinces which do not receive PCaB support. The non-PCaB province visited for the review demonstrates similar improvements at the provincial level to the PCaB provinces visited. Discussions with a range of people indicated that it was considered to be a high performing province and recent improvements were likely due to a combination of factors, mostly related to the recruitment in recent years of high calibre staff with many years experience with PGAS and effective treasury and administrative relationships<sup>1</sup>.

Those participating in PCaB training and coaching reported an improvement in their general computing skills. Provincial treasurers report that treasury staff are more able to transcribe financial information from Papua New Guinea Government Accounting System (PGAS) into Microsoft Office Excel (Excel) for the purposes of financial reporting, although most also stated that all treasury staff needed to improve their skills in Excel.

Treasury staff report improvements in their technical skills and understanding of the Public Finances Management Act (PFMA) and most were aware of the IFMS rollout. Reporting statistics collected by DoF indicate improved but not full compliance to

<sup>1</sup> It is worth noting that this province receives PPII support and has placed PCaB interns for a number of years.

their obligations under the act, specifically in the submission of financial reports. Awareness and understanding of the relevant sections of the Organic Law for Provincial and Local Level Government was generally good amongst both treasury and administration staff interviewed.

The evidence suggests that the improvements in treasury functioning are a result of a combination of genuine improvements in capacity and direct technical input by advisors. Discussions with PCaB advisors and a range of provincial staff indicate reliance to varying degrees on the technical input by PCaB advisors for the timely completion of basic accounting tasks, leaving the treasury offices vulnerable to reversing progress made to date if the advisor support was withdrawn. Provincial and district treasury offices are not adequately planning for the ultimate departure of the PCaB advisors.

Technical support, training and coaching to district treasury offices is progressing at various rates due to a range of factors, some beyond the control of PCaB. All advisors identified the logistical challenges of working with remote district offices as significantly impeding their ability to provide ongoing and adequate support to district and LLG offices. Factors such as poor transport and communication infrastructure, high staff turnover and ongoing staff vacancies within the district treasuries were reported by advisors and provincial staff as issues affecting the ability of advisors to work effectively with district and LLG offices. Advisors also reported that their limited operational budgets did not reflect the reality of the costs of providing meaningful support to districts and LLG offices.

### **Management, Leadership and Staff**

The achievement of the objectives of PCaB relies on an effective working relationship between provincial treasuries and administrations. The National Economic and Fiscal Commission (NEFC) Review of Provincial Function Grants in 2005 identified that one of the reasons for a failure to distribute basic financial reports is poor relationships between provincial treasurers and provincial administrators. The evidence from this review (from both PCaB and non-PCaB provinces) suggests that financial reporting and treasury functions are operating best when there is a good relationship between the provincial administrator and the provincial treasurer.

The review found that the presence of PCaB (and other) advisors in some cases has contributed somewhat to influencing an effective working relationship between administration and treasury staff, particularly when the group of advisors working in the province model good, collaborative relationships by effectively coordinating and collaborating amongst themselves. However, these relationships remain a critical factor for the success of PCaB and while it is not directly the role of PCaB advisors to manage them, PCaB advisors must prioritise working with administrators as much as treasurers if programme objectives are to result in improved service delivery.

Information sharing was also a critical issue. Administrators and treasurers indicated that they did not always receive the information they required from the other, however, when asked they could not always identify specifically what information they required. Ineffective information sharing reflects a lack of established and well defined administrative procedure and developing such procedures is an important aspect of effective public administration. Treasurers were generally well aware of their reporting obligations to DoF but had varying ideas about what information they were required to share with administrators and the mechanisms to do so. Information sharing between treasurers and administrators is important not only for effective accountability of money spent but also for the budgeting and planning processes and PCaB advisors can play an important role in assisting this.

Human resources are a significant risk to the success of the programme. The high-turnover of staff and ongoing vacancies of key treasury functions particularly at the district levels as noted in the PCaB II 2008 Assessment Report continues to impede the ability of PCaB advisors to conduct effective capacity building and poses particular risks for the long-term sustainability of the programme. A contributing factor identified by some managers was the secondment of key or particularly capable treasury staff to special projects or activities as directed by National departments. The limitations placed on the number of provincial staff by the Department of Personnel Management (DPM) means that these staff cannot be replaced, thus leaving the treasury short staffed and the PCaB capacity support compromised.

Many treasurers and PCaB advisors reported that staff motivation and poor work ethic identified as issues in the PCaB 2008 Assessment Report remain issues, affecting not only the fulfilment of key duties but also resulting in a lack of ongoing participation in training and capacity building by some staff. The review team observed that the work environment of treasury offices varied significantly between provinces; ranging from organised and neat to chaotic and untidy and that there was a positive correlation between an orderly and more conducive work environment, the effective functionality of treasury teams and higher levels of staff motivation.

Some treasurers and advisors observed that the practice of one person being responsible for each specific step in the financial management system is a hindrance to improvements because the whole process stops if they are absent or leave. They suggest adopting a more flexible team approach in treasury offices so that systems don't rely upon the skills of individuals for specific functions. More actively engaging HR Advisors and utilising the Learning Needs Assessments could assist broadening staff skills. This would also assist the advisors' capacity building efforts, enabling them to promote peer learning amongst treasury teams rather than relying on one person to learn a specific function, and reducing the incidence of repeated trainings each time someone leaves their role.

### **Financial Planning and Budgeting**

Improved provincial financial management capacity, including *improving strategic planning and coordination of treasury functions (within treasuries and with the administration) at sub-national levels* is one of the objectives of PCaB II and there has been mixed success in improving these processes. The reasons for this vary – some provinces appear to be better at strategic planning and budgeting than others; it depends on the relationship between the administration and treasury identified above, and how well information is being shared between them. In the instances when PCaB and other advisors actively collaborate, there are indications of improvements in planning and budgeting processes and in some cases, increased coordination of provincial, district and LLG planning processes.

The NEFC has identified that the improvement of provincial, district and LLG budgeting is essential for the achievement of the Minimum Priority Areas (MPAs) identified in the Medium-Term Development Strategy (MTDS)<sup>2</sup>. Budgeting processes are not adequately coordinated for planning and decision making purposes at the provincial and district administration. While these activities are outside the scope of PCaB's control, there is evidence from some PCaB provinces to suggest that

<sup>2</sup> or recent presentation by the NEFC on using the MPAs to align provincial performance to Vision 2050 states that provinces are responsible for *appropriation for each of the 11 MPA's should be provided for in provincial budget; ensuring that programmes are established to expend MPA funding; expending the money and reporting. Or*



advisors can positively influence this process, especially when working with Provincial Planning Improvement Initiative (PPII) finance advisors.

A common theme identified in most provinces was the need for districts and LLGs to be able to spend money more efficiently and effectively, based on good planning and budgeting information. There was one example of a bottom-up planning processes for the district development plans involving LLGs and districts that has assisted to raise awareness of spending priorities amongst community members as well as LLG, district and provincial staff and representatives. However such bottom-up planning processes are not occurring in most provinces.

Many of those interviewed at the provincial and district level identified poor information flow as a key factor affecting their decisions about spending. They referred to not being informed when money has been transferred, a lack of knowledge of the activities to be funded and a lack of contract management information such as project documents, activity plans and budgets. Further, the direct transfer of DSIP funds of approximately K10m to each district by DNPM places significant pressure on the ability of district treasuries to adequately manage such funds. Inaccuracy and delays in bank reconciliations combined with a lack of treasury staff confidence or understanding of their role further contributes to poor decision making about spending. Administration and treasury staff, particularly at the district level, identified budgeting, procurement, project management and accountancy as important knowledge and skills they required to enable them to effectively manage and expend district funds and ensure that funding was appropriately directed to service delivery facilities in their districts.

### **Skill Development and Capacity Building Approaches**

The model of capacity building used by PCaB can be described as on-the-job training with follow-up coaching and mentoring. The majority of staff had participated in on-the-job training for specific tasks such as PGaS operating system, bank reconciliations, district treasurers' workbook, fixed asset management and annual financial statements. There is also structured training in basic computing skills including keyboard operation, Excel and general computing operation. At the district and LLG level, advisors request that more than two staff attend each training and coaching session in order to *build teams so that each staff member of the team will be available to support each other and to have a pool of staff capable of producing bank reconciliations reports and annual financial statements.*<sup>3</sup> During interviews, treasury staff demonstrated a good understanding of the compliance requirements for reporting however it was difficult to determine whether they had developed a broader understanding of the principles of good reporting practice in general.

There were good examples of innovative approaches being adopted by some advisors to training of teams, particularly district treasury teams. For example:

*PCaB...has organised itself to conduct workshops involving officers from both the provincial and district treasury offices and to some extent the provincial and district administration in a collaborative approach for purposes of cost sharing and combined efforts which has proven to be a better approach for Central [Province] in that it enables;*

- *a sense of team spirit and building by all parties*
- *a learning environment that is conducive for collective and participative information gathering and sharing through constructive discussions and group understanding and consensus*

<sup>3</sup> Achievement Report for districts in Western Province, no date.

- *the provision of opportunities for all levels of the hierarchy and locations to acquaint and develop networks on common and unique interest to improve personal and professional objectives<sup>4</sup>.*

Interviewees indicated that they found training most useful when it was followed up with on-the-job coaching. In some offices a lack of staff motivation and commitment to participating in training and ongoing coaching activities was identified by advisors as a risk to sustaining the achievements to date. The identification of the most appropriate staff for training was also raised as an issue, with numerous examples cited of staff who were preparing to leave to other jobs or retirement being identified by their manager for training, or staff with poor work ethic being offered repeated opportunities. Advisors report that training, mentoring and coaching is more effective when the selection of participants involves the relevant provincial or district HR advisors and the managers directly responsible for the staff concerned (rather than being determined at a distance).

PCaB advisors play an important role in supporting and consolidating the competency based training provided by DoF Training Branch (FTB) as part of the national Public Sector Training Package (PSTP) by providing follow-up mentoring and coaching as well as conducting third party assessment against competency standards. Computer labs and training rooms have been established in most PCaB provinces and they have served their primary purpose of facilitating treasury training well. They are also an important and cost effective resource for advisors conducting training with teams or groups.

The training needs within the provincial, district and LLG administrations are greater than the support PCaB can (or should) offer, yet the development of these skills is essential to the success of PCaB. A consistent message in all provinces was the need for generic skills training, particularly in computing and general public administration, as well as further training in financial processes for minor procurement, contract management and budgeting. PCaB could benefit by exploring and possibly coordinating with other training programmes delivered through the PSTP (commencing in 2011) to address the generic administrative and computing training needs identified by PCaB participants.

PCaB advisors themselves do not appear to participate in ongoing learning beyond structured annual evaluation workshops, although some did have informal relationships with other advisors where ideas and experiences were shared. It would be useful for advisors to have opportunities to engage in informal learning (action-reflection) with each other in order to share useful and innovative capacity building approaches (also recommended in the 2006 evaluation of PCaB).

There are some concerns regarding whether the PCaB advisors themselves are finding the right balance between advising (including coaching and mentoring) and completing tasks themselves. In the absence of treasury staff with basic computing and administrative skills, PCaB advisors appear to be under pressure to fill these gaps on a regular basis as well as fulfilling some managerial responsibilities. While it is generally accepted that advisors typically spend more time completing tasks themselves at the commencement of their placement, it is important that over time more emphasis is placed on advising and reducing counterpart reliance on the advisor's technical input. Dependency on the input of advisors will be created if they continue to complete tasks and fulfil management responsibilities and will compromise progress on building the capacity of the treasury and administrative staff themselves. This raises a question regarding the sustainability of advisor support and

<sup>4</sup> Achievement Report for Central Province, 1 July 2010.

whether provincial counterparts are adequately managing this support to prepare for the ultimate departure of the advisor.

### **Internship Programme**

The purpose of the internship programme component of PCaB II is to provide university students with experience of working in provincial administration, support capacity building in ICT and promote graduate interest in public service careers at the sub-national level. Programme reports and interviews confirm that the Internship Programme has facilitated some skills transfer in ICT, accounting and other areas to treasuries, and has given participating university students first-hand experience of working in provincial, district and LLG administrations. Interns have been placed in a number of provinces, including non-PCaB participating provinces. Interns typically assist provincial treasury teams in a number of ways, most commonly assisting with learning and using Excel. There are a number of positive examples of the students contributing to specific work programmes of provincial treasuries, although some provincial treasurers state that coordinating work-programmes for the interns significantly adds to their workload.

The information collected regarding students' area of study and career plans suggests that while there is some indication by students of an interest in pursuing a public sector career, there is no evidence that the programme is leading to graduates seeking careers in sub-national government. Only two of the students participating since 2006 have entered the public service since completing their degrees, both at the national level. There is currently no structured GoPNG framework that facilitates graduates entering employment with provincial and district governments. While the feedback was generally positive about how the Internship Programme has been run and of the experiences gained by the interns and the provincial treasuries, this review did not find that the programme significantly supports PCaB's primary objectives.

### **Links with Sub-National Initiatives and GoPNG Processes**

PCaB is a specific financial capacity building programme that operates within a broader collection of sub-national capacity support programmes. The inter-connectedness amongst this range of sub-national initiatives means that PCaB cannot be successful if it does not effectively coordinate with other programmes.

PCaB advisors have coordinated with other GoPNG and donor capacity support programmes operating at the provincial, district and LLG levels, most commonly FTB and PPII. In the instances where this coordination happens regularly and systematically, there is evidence of improved management in provincial treasury and administration offices as well as improved planning processes. Actively fostering these linkages within the provinces and locating PCaB within a broader capacity support programme would ensure that training, coaching, and advisory support complements rather than duplicates other efforts. It could also foster effective working relationships between administration and treasury staff and assist with improved monitoring about the links between improved financial management and service delivery. There are however, examples where the number of national policies and capacity building initiatives operating within a province are not effectively linked, causing a significant challenge to the management of these by the Provincial Administrator.

While the most effective and immediate way to improve integration with other sub-national initiatives is through informal interaction among advisors and staff, it is also important to integrate PCaB into more formal GoPNG financial monitoring mechanisms such as those managed by NEFC and Provincial Local Level Service Monitoring Authority (PLLSMA). Not only could this improve formal coordination

between PCaB and other GoPNG sub-national initiatives, it could also assist with ensuring that the results and outcomes of PCaB activities are better integrated, monitored and analysed within the broader frameworks of Vision 2050, PNG Development Strategic Plan (DSP) 2010-2030 and MTDPs<sup>5</sup>.

The Provincial Coordination and Monitoring Committees (PCMC), as sub-committees operating under the mandate of the PLSSMA, are the most obvious mechanism for PCaB to formally coordinate and share information at the provincial level. PCMCs are in various stages of establishment across 14 provinces, and where PCaB advisors are present, their participation could contribute to improving the quality and transparency of the financial information required by the committee. Any such improvement in the quality of information would contribute to more accurate analyses of service delivery by the committee and ultimately by authorities such as PLLSMA and NEFC. PCMCs could also be a useful source of information about the nature and location of financial issues from a range of stakeholders, which would assist PCaB advisors prioritise and direct their support.

## **Relevance**

The review found that PCaB support of the FMIP at the sub-national level (provincial, district and local level government) is an intervention that is relevant to current strategies and programmes of GoPNG which requires ongoing support. Changes such as improvement in the quality and timing of financial reporting from PCaB provinces as well as addressing the back-log of bank reconciliations has contributed to improved financial management generally at sub-national and national levels.

The programme remains relevant and important to the DoF programmes of rolling out the IFMS and the training programme attached to that roll-out. PCaB advisors play an important role in supporting this programme, particularly in supporting provincial and district treasury staff in the operationalisation of the system. While the PCaB II objectives do not specifically relate to the IFMS it does remain an important programme supporting the ultimate roll-out of IFMS. The relevance of the programme will be further strengthened as the work of PCaB becomes integrated into the mainstream work of DoF over time.

The programme has an ambitious overall goal that it cannot achieve in isolation from other related sub-national initiatives. The relevance of the programme within the sub-national context will be enhanced with greater integration of PCaB advisors and activities with other capacity building initiatives at the provincial and district level. This integration with other GoPNG sub-national initiatives will remain important as the programme becomes integrated DoF.

## **Effectiveness**

PCaB is effective in that it is well integrated in the six provinces it operates in. The review found consistent qualitative evidence that the quality and timeliness of financial reporting has improved in those provinces. While this was supported by advisor reports showing percentage improvements for bank reconciliations and annual financial reporting, the quantitative evidence demonstrating performance more generally was less consistent and inadequate for enabling analysis comparing

<sup>5</sup> The NEFC (2010) states that provinces must obtain better and more timely information on spending in minimum priority areas, obtain information on services actually delivered and assess progress against MDG and MTDS objectives.

the progress (and thus effectiveness) of PCaB supported provinces as compared to non-PCaB supported provinces over time.

It is an important mechanism supporting the DoF in its implementation of the FMIP and supporting improved financial information at the provincial level but without further quantitative data it is difficult to determine how effectively it serves this purpose. While the support provided by the technical assistance specialists funded through PCaB has been valuable to the planned roll-out of the IFMS process to date, delays outside of the control of the programme have resulted in a lack of progress on this specific PCaB objective.

The role of the PCaB advisors varies between provinces, with some being used more effectively in a capacity building role, while others are being relied upon for the implementation of in-line tasks and duties, particularly financial reporting. While some of this is within the control of the programme (ensuring that PCaB advisors are supported to prioritise the capacity building and advising aspects of their role), much of it is not within the control of the programme or the advisor. For example the varying effectiveness of the relationships between treasury and administration staff at the provincial and district level; challenges in recruiting and maintaining staff, particularly at the district level; and varying qualities of provincial leadership all affect the progress of capacity building and the implementation of financial systems.

The integration of PCaB II within broader sub-national capacity building programmes also varies across the provinces. Where PCaB advisors proactively work with other advisors located within the province (eg PPII), there is evidence indicating a mutual enhancement of the ability of all advisors to fulfil their roles, leading to improved outcomes specifically and more generally. The oversight of PCaB by DoF ensures that it is well integrated with PNG financial management systems and associated financial reforms although to date, activities have focused on the compliance component of financial reform.

## Efficiency

The management of staff and financial resources for PCaB is centrally located within the DoF. This arrangement enables the effective coordination of PCaB activities and programmes with other DoF programmes or branches as required as well as providing national oversight of the advisors placed within the six PCaB supported provinces. This national coordination facilitates regular consolidation of the advisor workbooks reporting against their work plans and KPIs however the lack of a Chief Technical Adviser during the past year has led to limited analysis of this reporting against programme objectives.

The design of PCaB II had a total budget allocation of US \$3.8 million over three years from 2008 to 2010. This was distributed as follows:

<b>2008-2010 Programme Budget Expenditure<sup>6</sup></b>	<b>Budget</b>	<b>Percentage</b>
PCaB Management and Technical Support	\$1,040,800	27.4%
Capacity building for provincial and district treasuries and LLGs	\$1,857,200	49%
ICT support for provincial financial management	\$ 339,120	9%
Internship programme	\$ 436,800	11.5%

<sup>6</sup> UNDP Provincial Capacity Building Programme Phase II 2008 2010 design document

Workshop and study visits	\$ 126,000	3%
<b>Programme Expenditure 2008</b>	<b>Actual</b>	<b>Percentage</b>
PCaB Management and Technical Support	\$427,250	29%
Capacity building for provincial and district treasuries and LLGs	\$857,159	58%
ICT support for provincial financial management	\$ 67,361	4.6%
Internship programme	\$110,067	7.5%
Workshop and study visits	\$0	0%
Assurance and monitoring and evaluation	\$11,896	1%
<b>TOTAL</b>	<b>\$1,473,733</b>	<b>100%</b>

<b>Programme Budget 2010</b>	<b>Budget</b>	<b>Percentage</b>
PCaB Management and Technical Support	\$745,391	39%
Capacity building for provincial and district treasuries and LLGs	\$804,348	42.5%
ICT support for provincial financial management	\$ 199,130	10.5%
Internship programme	\$141,739	7.5%
<b>TOTAL</b>	<b>\$1,890.609</b>	<b>100%</b>

The expenditure for 2008 and the budget for 2010 show general compliance with the programme budget estimates and distribution of funding across the four programme areas that suggests efficient management of the programme. The variances between budget and actual expenditure reflect an increase in allocation of funding to programme management technical support and capacity building activities compared to the original budget, which was explained in the 2008 Assessment Report as the two activities where most of the expenditure related to programme staff and programme assets fall. The report states increased budget in 2008 was related to asset procurement during the setup of the programme and the 2009 budget<sup>7</sup> was increased in order to provide a housing allowance PCaB advisors. The findings of this review suggest that there needs to be an increased allocation of funding to the provision of capacity building within the provinces particularly at the district and LLG level, possibly on a cost-sharing basis with provincial and district administrations. Advisors require operational budgets in order to more effectively work with district offices, and to provide them options to conduct training and coaching activities, particularly for remote districts and LLGs.

It is worth noting the redistribution of budget originally allocated for workshops and study visits. Interviews with treasury staff and advisers suggested that it would be worthwhile reconsidering this budget allocation as part of an ongoing analysis and learning process for both advisors and treasurers.

While the internship programme does not represent a substantial portion of the budget the allocation of these funds should be reviewed in light of the finding that it is not contributing to the achievement of PCaB objectives.

<sup>7</sup> Budget expenditure figures were provided for 2009 indicating a total expenditure of \$1,446,662 however the detailed figures were not reported against the full program headings and therefore no comparison was able to be made.

The management of the work of the advisors is conducted through systematic reporting against a comprehensive workbook created in Excel for each advisor. These workbooks ask advisors to report against work plans, KPI's and budgets. These have coordinated at a national level but there was no evidence of synthesis or analysis of these reports or reporting against programme outcomes using this information. This reporting does effectively track the work of the advisors against their work plans but it is not tracking the nature of the capacity building work of the advisors with regards to their role in filling capacity gaps versus advising and capacity building, nor monitoring the quality of the capacity building interventions.

## **Impact**

The qualitative evidence suggests that there have been positive changes to financial management and treasury functions in PCaB supported provinces, however this would be strengthened by better quantitative data tracking the improvements to financial reporting, reconciliations and compliance over time and across provinces. The limitations of the review and lack of extensive quantitative data means that no valid conclusion can be made regarding the performance of PCaB supported treasuries compared with non-PCaB supported treasuries.

There is anecdotal evidence of some changes to overall management behaviour in some province. For example, enhanced awareness of improved governance and financial accountability and improved understanding of the importance of budgeting and planning. The next step towards positive change will be embedding this knowledge into practice and systems at the provincial and district level.

PCaB itself does not collect data on improvements to service delivery that can be linked to improved financial management. Anecdotal evidence suggests that before such links can be made, district and LLG treasuries need better skills in the management of budgets, and improved information about the service delivery activities being funded. While it is generally accepted that it will take some time before any contribution of improved financial management to enhanced service delivery can specifically be made, the data should be collected now so that these links can be reliably made. There needs to be improved information collection and analysis about expenditure (not just compliance with reporting) not only within programmes such as PCaB but between PCaB and other monitoring bodies such as NEFC and PLLSMA in order to effectively monitor the impact of these programmes over time.

## **Sustainability**

Locating PCaB within the DoF provides a sound framework to promote the sustainability of PCaB as a programme supporting GoPNG systems. It plays a key role in supporting the implementation of the DoF IFMS and is integrated within the FTB competency training programme. Sustainability could be further enhanced through increased collaboration with the Public Sector Workforce Development Programme (PSWDP) to support PSTP rollout, including FTB training, particularly when PCaB advisors identify generic training that is critical to the success of PCaB.

The level of ownership of financial management in provinces appears to have improved from the previous evaluation in 2006. Provincial Administrators and Provincial Treasurers are aware of their responsibilities for financial reporting, and of the importance of continuous improvement of financial systems. One of the risks to sustainability is the dependence of provincial and district treasurers on PCaB advisors for the timely completion of financial reporting tasks. Factors such as staff shortages and poor computing skills contribute to this problem.

More clearly outlined management and exit strategies are proposed for the remainder of PCaB II in order to promote greater provincial ownership of the capacity building and reduce dependency on the advisors. Unintentional management substitution and focus on corporate capacity building rather than improving financial processes also defers management taking responsibility and defers improvements to management capacity. Sustainability will also be enhanced with a clearly outlined the plan for PCaB's ultimate integration into the DoF as well as more systematic integration of PCaB with other sub-initiatives located at the provincial level.

## **Gender Equality**

Gender equality is not addressed in the design of PCaB II. Access to PCaB training is largely determined by the staff make up of provincial and district treasury offices. Within this framework, gender equality is addressed through the attempts of PCaB advisors to ensure balanced participation in capacity building activities by women and men. However, this is largely beyond the influence of the advisors as it depends on whether women are employed by the provincial and district treasuries.

Beyond proactively facilitating the participation of women in PCaB capacity building activities, the greatest potential to address gender equality in PCaB is through the planning and budgeting process, which would ideally be done in conjunction with PPII advisors. Gender responsive budgeting is a mechanism that ensures men, women, boys and girls all benefit from, and are not harmed by, budget decisions. PCaB, in conjunction with other programme advisors, could support the implementation of gender responsive budgeting and the active participation of women in the bottom-up planning and budgeting processes as demonstrated by one of the PCaB provinces visited during the review.

Other opportunities to enhance the gender equality aspects of the programme could be identified through liaising with sub-national initiatives targeting gender issues to identify areas of mutual benefit. For example provide financial management training for Provincial Councils of Women.

## **Monitoring and Evaluation**

The monitoring and reporting conducted for PCaB is primarily deductive and based on the assumption that the causal links between the objectives, activities and results are proven. The reports and information reviewed indicate an emphasis on monitoring compliance to DoF reporting requirements and measuring the outputs for activities conducted. There was some evidence of consideration of the effectiveness of planned activities, and adaptations made by some advisors in response to changing circumstances or new information. However there was little evidence of this analysis forming the basis of a systematic monitoring process for the programme.

There is a lack of substantive information tracking the trends and improvements made to key aspects of financial reporting over time and between provinces, nor evidence of the analysis of such changes at a programmatic level. Reports prepared by each advisor collate percentage improvements of financial reporting over time for each treasury office in the province. The advisors track the number of officers attending training on bank reconciliations and annual financial statements and the percentage improvement between a first and second test, sometimes subsequent one. There was no evidence however of a systematic analysis of this quantitative data across provinces in order to demonstrate changes compared to baseline data or differences between provinces receiving and not receiving PCaB support.

The reporting and monitoring system for advisors is primarily based in an Excel workbook which serves as a weekly reporting mechanism against a work-plan for



each advisor. The collation of these reports focused on managing compliance to key performance indicators and timeframes. There was no evidence of systematic monitoring of the quality and processes of capacity building although these are clearly addressed in work plans and guidance notes through references to the advisors roles in mentoring and relationship building.

## Analysis and Learning

Analysis and learning is an aspect of the programme that has been neglected. As identified in monitoring and evaluation above, the systematic analysis of the programme outcomes (as opposed to outputs) is not established and as a result the premise of the links between the objectives, activities and results are not contested and the appropriateness of the programme design and activities are not reviewed.

There is also little room within the programme for peer learning and exchanges between advisors beyond those established by the advisors themselves. Those advisors who did have such relationships said that they greatly benefited from the experience and that it helped their work but that they were difficult to maintain due to a lack of opportunity to meet beyond the formal, annual evaluation workshop. The focus on the reporting compliance in the programme has also resulted in a lack of attention paid to analysing the processes of capacity building and the facilitation and communication skills required. The programme would benefit from investing in the continuous learning and peer exchange of advisors, particularly given the well documented challenges of institutional capacity building and the value of action-learning in enhancing capacity building efforts.

The study exchange proposed in the original programme design was cut due to funding issues. However advisors and treasury staff indicated that when they have had the opportunity to participate in such exchanges, they gained useful ideas and information as well as relationships with other treasury colleagues.

## Evaluation Criteria Ratings

Evaluation Criteria	Rating (1-6)	Explanation
Relevance	5	PCaB support of the FMIP at the sub-national level is an intervention that is relevant to current strategies and programmes of GoPNG. The programme remains an important preparation for the DoF rollout of the IFMS, as well as providing support to the provinces more generally on improving compliance to DoF requirements. The relevance of the programme would be enhanced through greater integration with other sub-national capacity building initiatives.
Effectiveness	3	PCaB is effective in that it is well integrated in the six provinces it operates in. The role of the PCaB advisors varies between provinces, with some being used more effectively in a capacity building role than others. It is an important mechanism supporting the implementation of the FMIP and improved financial information at the provincial level but without further quantitative data it is difficult to determine how effectively it serves this purpose.

<b>Evaluation Criteria</b>	<b>Rating (1-6)</b>	<b>Explanation</b>
Efficiency	4	The management of staff and financial resources within the current design is managed within a 95% variance of programme budget allocation. Advisors report against the KPIs and work plans on a regular basis however this information is not analysed or synthesised in any systematic way. Advisors require operational budgets in order to more effectively work with district offices, and to provide them options for conducting training and coaching activities, particularly for remote districts and LLGs.
Sustainability	3	Locating PCaB within the GoPNG DoF provides a sound framework to promote the sustainability of PCaB as a programme supporting GoPNG systems. It is well integrated within the FTB competency training programme, although sustainability could be enhanced through increased collaboration with PSWDP and other sub-national initiatives. One of the greatest risks to sustainability for this programme is the dependence upon PCaB advisors for the completion of critical tasks within provincial treasury offices. Sustainability would be enhanced through negotiated work-plans and exit strategies with provinces, and through more systematic integration with other sub-national initiatives.
Gender Equality	2	Gender equality is not structurally addressed in the design of PCaB II. PCaB advisors attempt to ensure balanced participation in capacity building activities by women and men but this is largely beyond the control of PCaB as it determined by the gender composition of treasury staff. Gender equality in PCaB could be addressed through gender responsive budgeting in collaboration with other advisors for example PPI I.
Monitoring & Evaluation	3	The monitoring and reporting conducted for PCaB is primarily deductive. Reports indicate an emphasis on monitoring compliance to DoF reporting requirements and measuring the outputs for activities conducted. There was no evidence of systematic monitoring of the quality and processes of capacity building although these are addressed in work plans and guidance notes through references to mentoring and relationship building.
Analysis & Learning	3	Analysis and learning is an aspect of the programme that has been neglected. The systematic analysis of the programme outcomes is not established, and the appropriateness of the design or activities is not systematically reviewed. There is no structured peer learning and exchanges between advisors or treasury staff despite this being recognised in the original design as an important aspect of sustainable capacity building.

**Rating scale:**

<b>Satisfactory</b>		<b>Less than satisfactory</b>	
<b>6</b>	Very high quality	<b>3</b>	Less than adequate quality
<b>5</b>	Good quality	<b>2</b>	Poor quality
<b>4</b>	Adequate quality	<b>1</b>	Very poor quality

## Conclusion and Recommendations

The overall conclusion of the review is that PCaB II is a cost-effective capacity building programme that is relevant to current GoPNG objectives for improving financial management at the sub-national level. PCaB II is one of a suite of capacity building support programmes working with provinces and it would benefit by operating in a more integrated way with other GoPNG sub-national initiatives and mechanisms, particularly as it is unlikely to achieve its objectives on its own.

The capacity building approach used in the programme is an effective combination of formal training and informal mentoring or coaching and the locally appointed advisors provide a depth of understanding of the cultural complexities encountered within each province. The sustainability of the capacity building provided to treasury staff is at risk due to ineffective management and ownership of the programme at the provincial level. Using locally appointed advisors is an important mechanism for the capacity development of the advisors themselves and therefore the public service of GoPNG, however this would be enhanced by improving the learning and exchange opportunities for the advisors as a group.

This review identified a number of capacity development needs at the provincial and district levels that are beyond the scope and objectives of PCaB II, yet they are important capacity requirements for effective sub-national functioning, as well as to the success of PCaB II itself. Such capacity needs should be identified in provincial and district corporate plans and advisory support sought for areas where it can't be sourced locally. Given the range of sub-national capacity programmes, the review team considered that it was important that PCaB II remain focused on its core objectives but at the same time was more deliberately located within sub-national capacity building efforts. This means placing some limits around the expectations of PCaB II while ensuring that the capacity needs beyond the scope of PCaB II are addressed through existing or planned mechanisms. It also means identifying the appropriate funding level for PCaB to provide realistic resources to achieve its objectives without growing the programme to a size that becomes all encompassing and expansive.

The objectives of PCaB II are broad and ambitious and a recommendation to extend the programme for a further two years should be accompanied by a review of the programme objectives in order to identify achievable and realistic outcomes. This should also more clearly define those objectives that directly support the objectives of the IFMS and DoF as well as those that require improved coordination with other GoPNG sub-national initiatives in order to be achieved. While functioning within the broader framework of capacity building programmes operating at the sub-national level, PCaB needs to remain focused on providing financial management support to provincial, district and LLG treasuries and assisting the preparation of provincial financial management systems for the implementation of the IFMS. It is also recommended that the programme continues to work with a selected number of provinces in order to provide the depth of support required rather than being spread too thinly across too many provinces. The capacity building support provided by PCaB advisors is long-term in nature and any assessment of the future of the programme beyond a two-year extension must consider the feasibility of the programme continuing as an ongoing and core responsibility of DoF.

The basis of the programme rests on the premise that by improving the quality and timeliness of financial reporting and accounting functions, funding will be allocated and released to provincial and district treasuries more efficiently and thus lead to more effective funding of service delivery programmes. The review was not able to identify a contribution that changes and improvements identified in the review may have made to concrete improvements in service delivery. This was due to a lack of

readily available information reporting against programme outcomes and any links to changes in service delivery at the provincial level.

An extension of the programme will require a substantive review of the implementation of the current M&E framework. This would include a revision of current output and outcome indicators, a plan for the collection and analysis of data (quantitative and qualitative) that will not only demonstrate compliance to current financial reporting systems but also changes in the functioning and performance of treasury offices over time. It should also include a process for sharing information with other relevant programmes also operating at the sub-national level and clearly identify responsibilities for data collection and analysis.

The financial management bottlenecks hindering provincial and district spending on service delivery identified in this and other reviews are a consequence of poor planning, budgeting and procurement procedures. In order to address this issue, it is recommended that PCaB II incorporate training and support for financial management more holistically, specifically in planning, budgeting and expenditure procedures as well as continuing to address financial reporting requirements. This is also an area that would benefit from enhanced co-operation with other sub-national initiatives and should not be seen as a sole responsibility of PCaB to address.

There are sixteen recommendations addressing seven thematic issues. Due to the inherently long-term nature of such capacity building programmes, many of these recommendations will require longer than the potential two year extension of PCaB II to be implemented effectively. The recommendations are offered not only to provide more immediate improvements to the current management of PCaB II, but also as guidance for the planning and design of the programme beyond this current phase.

### **Providing Enhanced PCaB II Support to District and LLG Treasuries**

Within the current selection of provinces participating in the programme, support to district and LLG treasuries was identified in reports and confirmed by interviewees as one of the significant challenges for the achievement of PCaB II objectives. While many of the reasons for this are beyond the direct control of the programme, identifying mechanisms and opportunities to enhance support to the districts must be a priority for the remainder of PCaB II, particularly given the substantial levels of funding that is currently being directed to district treasuries through DSIP.

**Recommendation 1.** DoF should increase its support to district treasuries and administrations and LLGs through PCaB. The programme should give consideration to whether it is adequately resourced to do this, particularly given the costs of addressing the transport and communication challenges, and ensure that this focus is coordinated with efforts to reach districts and LLGs by other programmes.

### **Planning for Sustainable Capacity Development**

In order to enable PCaB provinces to gradually transition away from reliance on advisory support, it is recommended to implement a plan for the management of advisory support within each PCaB province. The nature of support provided to each province would be negotiated between DoF and key provincial stakeholders to identify a progressive plan for support in order to reduce dependency, enhance ownership and adapt to local contexts. In the event that PCaB is continued beyond 2012, this approach could lead to the graduation of provinces from full-time PCaB advisor support once they demonstrate sufficient and consistent competencies in the complete cycle of financial management.

While PCaB II is operating within standardised systems of the FMIP framework, there needs to be some flexibility about the specific nature of that support in order to accommodate cultural and contextual variations between provinces. The obstacles to service delivery vary from province to province so it is essential that PCaB II advisors work with the provincial administrator and treasurer to identify the key financial management issues in that province and develop their respective work-plans accordingly.

**Recommendation 2.** That DoF negotiate a work plan with Provincial Treasurers and Provincial Administrators currently receiving PCaB support. This would mean a process of identifying the minimum competencies and criterion that can reasonably be expected to be met in that province; a proposed time frame for incrementally phasing out the support and a plan for providing some ongoing support beyond the departure of the full-time PCaB advisor/s. It is important that this is negotiated with each provincial treasury and administration rather than developing a standard pro-forma template in order to offer some flexibility that can accommodate the different needs and circumstances within each province.

**Recommendation 3.** That PCaB provinces formally progress through a series of phases or agreed competencies through a process of mutual agreement between PCaB advisors, DoF, Provincial Treasurer and Provincial Administrator, using the plans described above as the basis for negotiation. These competencies would ultimately address a series of steps needed to reform a financial management system, so once reporting and reconciliations are satisfactory, advisors could work on supporting budgeting or budget execution for example.

### **Supporting Provincial, District and LLG Planning and Budgeting Processes**

The first priority of PCaB II has been to improve processes and systems for financial reporting of money spent at the provincial, district and LLG levels. The achievement of PCaB II objectives requires capacity development in all stages of financial management and skills in planning, budgeting and expenditure which were topics identified during the review as being required at all sub-national levels. This area of capacity building has some overlap with other sub-national initiatives such as PPII and as such should be done in collaboration with PPII advisors where possible and will require information sharing and active engagement with administrators as well as treasurers.

Information sharing between treasurers and administrators at all levels needs to be improved and more systematic at all stages of the financial management cycle, particularly planning, budget and procurement decision making process. PCaB advisors can assist effective decision making for planning and budgeting by ensuring that all reports currently prepared by treasurers for DoF purposes are provided to administrators as a matter of course and to work with administrators to identify their information needs. This may require working with treasurers to prepare summary reports for specific purposes if these are not already provided.

**Recommendation 4.** The Terms of Reference for PCaB advisors should be amended to include engagement and information sharing with administrators **and** treasurers in order to identify their specific financial management needs, provide on-the-job mentoring, facilitate the preparation of reports as required and monitor compliance to due process.

In those provinces that have made substantial improvements in financial reporting, a transition towards addressing capacity needs in financial planning, budgeting, procurement and contract management is appropriate for the possible two-year

extension of PCaB II. However sustainable achievements on this will require longer than a two year extension of the programme. Addressing this at the district level is a priority given the lack of skills currently available to manage the large amounts of funding being directed to districts through DSIP.

**Recommendation 5.** PCaB should consider how it can build capacity in the areas of procurement, planning and budgeting at the district and LLG level. Progress in these areas of capacity should be monitored to assess changes to the quality and efficiency of expenditure on service delivery over time.

### **Financial and Other Training**

Identifying the most suitable treasury staff for PCaB training was recognized as a challenge for the ongoing success of PCaB. Issues such as ensuring that treasury staff receive training in a range of skills and functions and that the most appropriate staff are selected for ongoing training and coaching (for example, not staff close to retirement) required the direct input of the relevant manager and HR advisor rather than staff being selected at a distance. It is also important that programmes such as PCaB support GoPNG efforts to strengthen systematic HR mechanisms, particularly at the sub-national level.

**Recommendation 6.** That the selection of treasury staff for capacity building programmes involves the relevant provincial or district HR advisors and the managers directly responsible for the staff concerned.

A range of training needs at the provincial, district and LLG level was identified in this review. While it is not within the scope of PCaB II to assume responsibility for addressing all of these needs, there are some issues that do fall within the requirements of the FMIP and should be addressed directly by PCaB. In either case, the ability of PCaB advisors to contribute to more holistic approaches to training through their on-the-job coaching and mentoring follow-up to competency-based training remains an important element of their success to date in capacity building and should be continued.

**Recommendation 7.** That PCaB investigate what role it can/should play in providing training in procurement, contract management, claims examination and quality assurance of financial reports. Some of these may be more appropriately provided directly by FTB or other providers, however, PCaB advisors would provide ongoing coaching and mentoring if this was the case. Training on these topics should achieve a balance between ensuring compliance and understanding the principles of good practice.

**Recommendation 8.** That PCaB advisors work with other sub-national advisors, Provincial HR advisors, PSWDP and DPM to identify mechanisms for providing basic computer skills and general administrative training to provincial, district and LLG staff (treasury and administration).

### **Integration with other Sub-national Initiatives**

While PCaB is a specific programme within a broader suite of GoPNG and donor initiatives at the sub-national level, PCaB advisors who have actively engaged with advisors from other programmes such as PPII have contributed to improved provincial management more broadly as well as ensured that PCaB efforts are not isolated from other initiatives.

The following recommendations are designed to more deliberately embed linkages to other sub-national capacity programmes within the programme framework to ensure that PCaB is contributing to broader capacity building efforts and improve the ability to monitor sub-national capacity building as a whole.

**Recommendation 9.** PCaB advisors should regularly and systematically coordinate with other advisors working within the province in order to mutually support efforts and identify opportunities for collaboration. PCaB, along with other sub-national advisors, should encourage consultation of appropriate treasury and administration managers at provincial, district and LLG levels when their work plans are developed.

**Recommendation 10.** PCaB should work with NEFC, either directly or through PLLSMA/PCMCs, to monitor improvements on financial flows in order to gain a holistic view of financial management systems from DoF down to the facility level, and whether this is having an impact on service delivery.

### **Internship Programme**

The internship programme represents a substantial component of the operational budget for PCaB II and while it is effectively managed in its own right, it is not achieving the objectives of increasing graduate careers in the public sector nor contributing significantly to the achievement of PCaB II objectives overall.

Without a broader whole-of-government mechanism to facilitate graduate entries to the public service at the sub-national level, it is clear that the main purpose of the internship programme of promoting a graduate recruitment at the provincial level will be difficult to achieve. PCaB can more suitably provide support, rather than drive this type of programme, when an appropriate workforce development programme at the sub-national level is implemented. Reducing or ceasing the internship programme could provide programme funding for activities more directly making progress towards PCaB II objectives.

**Recommendation 11.** The objectives and scope of the Internship Programme should be reviewed and consideration given to reducing or ceasing support for the programme.

### **Monitoring, Analysis, Learning and Exchange**

In order to be able to identify any contribution that PCaB makes to the improvement of service delivery in PNG, the systematic analysis of programme outcomes and the capacity building process itself must be improved. The monitoring and reporting process would be improved with a combination of qualitative and quantitative data tracking improvements in a range of financial management competencies to enhance the data currently collected on compliance to financial reporting. More complete baseline data on financial management performance as well as compliance would enable the assessment of changes demonstrated by provinces receiving PCaB support compared to those who don't. PCaB would benefit from greater information exchange and analysis with other GoPNG mechanisms monitoring these processes, for example with NEFC and PLSSMA.

**Recommendation 12.** Review the current M&A framework to develop realistic and achievable indicators to monitor outcomes as well as outputs. Develop an implementation plan that includes the collection of both qualitative and quantitative information about general performance of treasuries, financial management competencies, compliance to financial processes as well as the capacity building process. This should include identification of those responsible for data collection, data collation and analysis and liaison with other sub-national agencies and authorities. The program could consider using selected indicators from existing diagnostic tools such as the sub-national Public Expenditure and Financial Accountability (PEFA) methodology, and, where possible, draw on other recurrent independent evaluations such as the PNG Auditor General's reports.

**Recommendation 13.** Undertake a mid-term baseline analysis on a range of provincial, district and LLG treasuries including those who do not receive PCaB support in order to better track improvements in treasury functioning over time and the contribution of PCaB.

Since the implementation of PCaB and PCaB II, a number of innovative approaches to capacity building with provincial and district staff have been developed and used by PCaB advisors. Current literature argues that the process of capacity building is a learning process itself and that achieving sustainability in capacity building programmes requires attention to process as much as results. Providing opportunities for action-learning and sharing of good practice between advisors can enhance success as well as function as a support mechanism for advisors who often work in challenging contexts.

**Recommendation 14.** Capture and document the experiences of PCaB district and provincial advisors who have employed a range of innovative ways to work with district offices in order to enable shared learning and increase the strategies available to advisors

**Recommendation 15.** Reintroduce the exchange visits between treasury staff of PCaB provinces presented in the original design but not implemented due to funding issues. The original model could be used or a new one created but the basic idea is to offer opportunities for provincial, district and LLG participants to gain from sharing and exchanging good ideas and small success stories.

**Recommendation 16.** Adopt the action-learning approach used by the PCaB advisors for their mentoring and coaching to provide a forum for learning and exchange between the PCaB advisors. This could also be an informal mechanism to assist advisors ensure they are making the appropriate and timely progressing from 'doing to advising' in their capacity building approach.



## **Annexes**

Annex 1: Review Terms of Reference

Annex 2: Review Methodology

Annex 3: Interviews and Meetings conducted

Annex 4: PCaB II Stakeholder Map

Annex 5: List of Documents

## TERMS OF REFERENCE

### MID TERM REVIEW OF PROVINCIAL CAPACITY BUILDING PROGRAMME PHASE 2(PCaB II)

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#### Introduction and Rationale

The Papua New Guinea “Organic Law on Provincial and Local Level Governments” (OLPLLG) was implemented in 1997, which essentially aims to devolve substantial financial management functions and responsibilities -- planning, budget and finance – to the sub-national level (Provincial, District, and Local Level Governments). In support to the OLPLLG, the Financial Management Improvement Programme (FMIP) was developed to promote transparency and build capacities in financial management within and between the national, provincial and local-level governments of PNG. Specifically, it aims to achieve the following goals:

- Sound fiscal management
- Effective decentralization of financial management
- Allocation of resources in accordance with government priorities
- Utilization of resources to achieve value for money
- Enhanced accountability and transparency

The FMIP is directly implemented by the Department of Finance and has been supported by the Asian Development Bank, AusAID and UNDP through various initiatives including the Provincial Capacity Building Programme Phase II (PCaB II).

PCaB II is the UNDP and AusAID supported programme which focuses on capacity building in sub-national treasury functions. It builds on the developments of previous initiatives of the FMIP as well as sub-national capacity building efforts by other arms of the Government including the Provincial Performance Improvement Initiative (PPII).

PCaB II is consistent with the overall aim of the FMIP, which is “to implement best practice and transparency in government financial management within and between National, Provincial and Local-level Governments in Papua New Guinea.”

The proposed goal of PCaB II is to strengthen sub-national financial management capacity in a sustainable manner.

To meet this overall goal, the three primary objectives of PCaB II are:

1. Effective decentralisation of financial management, by:
  - supporting efforts to roll-out the IFMS at the national level and prepare sub-national financial managers for the planned introduction of IFMS;
  - supporting the district treasury roll-out through training and capacity building initiatives.
2. Enhanced accountability and transparency, by:
  - improving the quality and timeliness of financial reporting at the sub-national level to ensure compliance with legal requirements and to provide sub-

- national administrations with accurate and up-to-date information on their finances;
  - supporting effective treasury management systems incorporating more effective use of ICTs.
3. Improved financial management capacity, by:
- building sub-national capacity to implement the Public Finances (Management) Act and the Organic Law on Provincial and Local Level Governments;
  - improving strategic planning and coordination of treasury functions (within treasuries and with the administration) at sub-national levels;
  - ensuring better delivery and dissemination of training and research on sub-national financial management, drawing on the experiences of the provinces that have taken early initiatives to improve financial management.

## **Objectives of the Evaluation**

The design of PCaB II covers a five-year period, 2008-2012, with a two-year extension subject to mid-term review. The aim of the review is to monitor progress in programme implementation and take decisions on recommendations to secure and improve the delivery of programme targets and to mitigate any risks or adverse developments. The mid-term review would also assess whether the programme should continue in its present form or incorporate design changes to reflect shifts in circumstances and requirements. The main stakeholders of the review are the Government of Papua New Guinea, UNDP, AusAID and the Provincial Treasurers.

This review will provide the stakeholders with a clear analysis of the programme progress and key lessons learned, and strategic recommendations that could enhance the programme in supporting Government's efforts to implement the "Organic Law on Provincial and Local-level Governments" and donor support to Public Financial Management (PFM) and service delivery reforms.

Within this context, PCaB II will be evaluated against the five OECD DAC criteria of: relevance; effectiveness; efficiency; impact; and sustainability; and the additional three criteria of: monitoring and evaluation; gender equality; and analysis and learning.

1. The review will examine the **relevance** of the programme by:

- Testing if a financial management capacity building intervention directed at the sub-national (Provincial and District) level in support of the FMIP is a continuing area that needs support.
- Identifying and reporting on stakeholder expectations - including The Department of Finance, relevant Provincial Government managements and donors (AusAID and UNDP) and expectation achievement. Expectations may include such matters as reporting on progress, steering group arrangements, cost efficiency and advisor support and the contribution of expectations to achieving significant changes.
- Identifying linkages and synergies to other programmes, programmes and activities both of Government and the donor community.

2. The review will comment on the **effectiveness** of the programme by:

- Assessing and reporting on the effectiveness of PCaB II as an intervention into building capacity – i.e. to what degree has progress been made to achieving what it has set out to do (outputs) and progress towards achieving the overall objectives (outcomes) as per the Programme Document and subsequent Annual Work Plans.
- Analysing the underlying factors beyond the programme's control that influence the achievement of development outcome.

- Analysing whether the strategy for achieving these outcomes been effective/appropriate?
- Assessing the degree to which PCaB II is integrated into the broader system of PNG Public Financial Management and service delivery reforms.

3. The review will assess the **impact** of PCaB II by:

- Assessing evidence regarding achievement of the three primary objectives of PCaB.
- Assessing any evidence of improvements/changes that have occurred as a result of the activity, including how are they evaluated or recorded and the nature and context of changes.
- Assessing any unintended consequences, good & bad, of the activity and responses to the consequences by stakeholders.

4. The review will examine the **efficiency** of the programme by:

- Assessing to what extent the management arrangements minimise transaction costs of the PCaB Programme implementation (or financial management?)
- Evaluating the capacity and structure of supervisory and advisory management in place, including the delivery of inputs in terms of quality, quantity and timeliness

5. The review will comment on the **sustainability** of the programme by:

- Analysing the level of ownership of financial management in Provinces, and the main constraints/opportunities for improving ownership for this programme.
- Assessing the level to which advisors are accountable to provincial administrators/treasurers and GoPNG and the method, levels and effectiveness of assimilating financial management principles into the Provincial Financial Management context and system.
- Identifying possible futures for PCaB II including discussion and recommendations on alternative options to providing support to the FMIP, apart from the current model such as, but not limited to:
  - Ceasing the intervention (with a rationale i.e it could be because while the focus is no longer appropriate, the implementing contractor is not, or it could be the approach has failed to achieve any impacts and the focus is all wrong!)
  - Maintaining the intervention by maintaining the status quo including justification and evidence for this.
  - Maintaining the intervention by altering the status quo – move from one or more (including all) of the 6 existing sites and take the intervention to a number of new sites – up to an agreed number. Provide rational for this approach eg move from existing Provinces based on evidence of effectiveness and sustainability, or because political environment does not enable programme inputs to be effective.
  - Maintaining the intervention by altering the status quo – maintain existing sites and adding more. Would also need to provide evidence, as above, plus cost-effectiveness of UNDP over other options, such as SNS/EPSSG
  - Maintaining the intervention, at an agreed number of sites but move away from some or all of the existing areas of focus ( e.g. financial reporting, reconciliations, training and interns) and incorporate a move to additional or

alternative areas – e.g. trust account financial management, procurement, budgeting management reporting etc.

### **Timing and Duties Evaluation Mission**

The review mission will take place as per the timetable below,

Review Timetable

9 July	Evaluation methodology
12 July	field mission - POM ,Western, Morobe, Madang (non-PCaB)
26 July (pm)	Present aide memoire (sufficient to enable DOF/DPLGA to use findings in budget and planning for 2011)
By negotiation	Draft report
By negotiation	ODE appraisal
By negotiation	final Evaluation Report
	Peer review

The mission is expected to perform the following duties:

1. **Assess the overall performance of the programme** with reference to its respective strategies and objectives; suitability and efficiency of implementation arrangements including monitoring and evaluation, organizational and management structure; contribution to capacity building; role and effectiveness of UNVs and PSAs, inputs, outputs, and indicators as stated in the respective programme document;
2. **Review the partnership and cooperation between the stakeholders** as well as links with the national and local governments; examine PCaB II's collaboration and engagement with partners; review links to other Government and donor programmes.;
3. **Evaluate the programme outcomes in terms of relevance and effectiveness** in light of the emerging country context, priorities and development strategies; how the programme addressed local challenges, its main achievements and overall impact, sustainability of programme achievements, as well as the remaining structural gaps not addressed by the programme. The review process will focus specifically on the progress made by the existing programme and any developments in the FMIP Programme.
4. **Identify good practices and initiatives** that worked well or that can be potentially applied to this or other programmes, as well as gaps, weaknesses and initiatives that should be avoided in future;
5. **Identify key and significant lessons** for donors (UNDP and AusAID) and the PNGGO, that can be drawn from the experience of the programme and its results (in terms of design, strategy, sustainability, impact, results and achievements);
6. **Provide clear analysis and concrete recommendations** on how the review results can contribute to PCaB II and/or future support to PFM and service delivery.

## **Annex 2     Review Methodology**

### **Mid-Term Review of Provincial Capacity Building Programme Phase 2**

#### **Methodology**

##### **Introduction**

The design of PCaB II covers a five-year period, 2008-2012, with a two-year extension subject to mid-term review (MTR). The aim of the MTR is to monitor progress in programme implementation and identify progress and risks. The MTR will also assess whether the programme should continue in its present form or incorporate design changes to reflect shifts in circumstances and requirements.

The main stakeholders of the review are the Government of Papua New Guinea, UNDP, AusAID and the Provincial Treasurers.

The evaluation will take a formative approach, using a range of methods and techniques to collect both technical and qualitative data as well as use the process of the evaluation as a capacity building exercise itself.

The review is expected to evaluate PCaB II against eight areas:

- Relevance
- Effectiveness
- Impact
- Efficiency
- Sustainability
- Gender equality
- Quality of monitoring and evaluation
- Ongoing analysis and learning

In addition the MTR will advise on future options for management and direction for PCaB II.

##### **Method and Approach**

The approach and methods used have been designed to ensure the validity of the data collected. This is especially important given that a number of team members are involved in the management of the programme or have interests in its continuation. While it is a strength of the review to have members of the team that are familiar with the programme, it will be important to demonstrate the rigour in the data collected by the clear description of the methods to be used at the various stages of the review.

The overall approach taken for the review is a combination of a technical (with a focus on the financial and systems changes) and qualitative interpretive review. This means attention to quantitative data such as financial reports as well as a range of qualitative data collected through semi-structured interviews. The interviews will be conducted with a range of GoPNG stakeholders in 4 provinces and in National departments. Interviews will also be undertaken with donors.

The review will explore the relationships between GoPNG National and provincial administrations and as such will draw on the knowledge, relationships and expertise of the PNG members of the team. It is expected that these members will be able to contribute particular expertise in appropriate approaches to data collection and inquiry at the provincial level and with GoPNG departments. They will actively participate in developing and refining the methodology, particularly around determining the questions for each of the review criterion and which stakeholders are important to meet in each of the provinces and in Port Moresby. They will also participate in the collective review and analysis of the data.

The team leader will provide a mentoring role with team members, particularly with those less familiar with qualitative research approaches, semi-structured interviews and collective data analysis. She will also conduct a number of the stakeholder interviews, particularly when it is considered important to ensure the impartiality of the interview process.

## **Stages of the Review**

The review will be conducted over six stages:

### **Stage 1. Finalisation of the methodology**

The review team initially meet in Port Moresby to collectively review and refine the draft methodology developed by the team leader and SNS M&E advisor. This will involve:

- a. Agreement on the overall approach and techniques used, with time to review methods that members of the team are unfamiliar with if required
- b. Finalisation of the research questions against the 8 areas of inquiry (see Annex D).
- c. Identification of the personnel to be interviewed in the provinces and National departments.
- d. Identification of the financial and systems information to be reviewed and the criteria against which this review will be undertaken.
- e. Identification of the most appropriate combination of team members to conduct interviews based on prior relationships, knowledge and skills. (Interviews will be typically be conducted by two team members to ensure cross checking and impartiality)

### **Stage 2. Data Collection**

Data collection will be conducted in four provinces and at the National Government level. This will involve

- a. A combination of document review, technical (financial and systems) analysis and semi-structured interviews,
- b. Evening meetings to undertake preliminary analysis. This will include cross checking information, collectively contesting data and identifying commonly occurring themes. All team members will be expected to participate in this process each evening to ensure the best possible quality of analysis.

### **Stage 3. Preliminary Analysis**

At the completion of all the data collection the MTR team will collectively consider the overall outcomes of the review and work with the team leader to identify the key findings, issues and recommendations that will form the basis of the aide memoire.

### **Stage 4. Stakeholder Workshop**

Conduct a workshop with key stakeholders and interested parties (??) to consider the preliminary analysis of the review and explore a number of options for the PCaB II programme. This will be conducted in Port Moresby during the 2<sup>nd</sup> week of the review.

### **Stage 5. Preparation of the Aide Memoire**

The team leader together with the team members will use the overall analysis and outcome of the review and the options explored at the stakeholder workshop to prepare an aide memoire for presentation to the GoPNG.

### **Stage 6. Final Analysis and Report**

The team leader will conduct a final and detailed analysis of the data and prepare a final report for consideration by all stakeholders. Options for team contributions will be explored.

## **Sources of Data**

The review will be conducted with relevant departments of the National Government of PNG and donors. These include:

- **National Department of Finance,**
- **Department of Provincial and Local Government Affairs,**
- **AusAID**
- **UNDP**

At a provincial level the aim will be to visit three of the six PCaB II provinces. The intention has been to have three very different provinces, allowing for a range of experiences. It is expected that each of these three will illustrate very different contexts and different challenges in the implementation of PCaB II. In addition a non-PCaB province will also be visited to provide a contrast. While this will not be a true counterfactual comparison, given the unique nature of each province, it will service to



explore and highlight key areas of the PCaB II intervention. Provinces to be visited include:

- **Western Province**
- **Morobe Province**
- **Central Province**
- **Madang Province** (a Non-PCaB II province).

PCaB Advisers in the provinces not visited will be submitting status reports for the Review Team

## **Addressing the Review Criteria**

PCaB II will be evaluated against the five OECD DAC criteria of: relevance; effectiveness; efficiency; impact; and sustainability; and the additional three AusAID criteria of: monitoring and evaluation; gender equality; and analysis and learning. Annex I includes a framework for collection of data against these eight areas of inquiry, which will be completed during Stage 1 with the Review Team.

## **Team Members**

The review team has been developed to combine external and independent review with internal knowledge and financial understanding.

The team members are:

1. Rhonda Chapman: Team Leader: responsible for overall methodology, analysis and final report. The team leader will also provide support and mentoring on evaluation and interpretive analysis of qualitative data. She will also be responsible for assessment of progress in the area of capacity development. The team leader will be independent of PCaB and of GoPNG and donors.
2. James Marshall AusAID: responsible for attention to AusAID requirements under the review. Also responsible for AusAID representation in all meetings with GoPNG departments and provinces.
3. Andrew Lepani UNDP: responsible for providing some insider knowledge of the programme. Also responsible for assessment of financial and systems outcomes across PCaB II
4. Eddy Galele Department of Finance/FMIP: responsible for providing GoPNG insight into PCaB operations. Also responsible for assessment of systems and financial outcomes of PCaB II.
5. Raymond Kala DPLGA: responsible for assessment of capacity development progress in PCaB II. Also responsible for assessment of PCaB II contribution and synergy with the wider provincial administration and in

contribution to improved service delivery. Will also consider the integration of PCaB II with other provincial programmes of support such as PPII.

6. TBC DNPM: responsible for consideration of PCaB II in the context of wider provincial planning and development outcomes. Will assist in assessment of the value of PCaB II to wider provincial systems development and service delivery.

## **Validity and Rigour**

An important aspect of any evaluation is the degree to which it can ensure validity and independence of the findings and recommendations. This means that the methods used must ensure that any potential biases are appropriately checked and balanced, that multiple sources of data are used and that evidence is checked and contested.

The makeup of the review team brings particular strengths, including members who have an internal experience of PCaB II, giving them particular insight and understanding of the programme. Potentially however this poses some risk to the perceived independence of the MTR. Given this situation, the methodology has been developed to ensure the validity and rigour of this review in a number of ways:

- The team leader is an independent evaluation specialist with no prior involvement in or allegiances to the PCaB programme
- Team members will collectively contribute to determining the sources of data, questions for interviews and people to interview.
- Interviews will, wherever possible, and always when a potential for bias is identified, be conducted by two team members, one of whom can provide an assurance of independence.
- Data will be triangulated by deliberately seeking perspectives, experiences and views on the eight inquiry areas from a range of respective groups and people.
- Data will be collected from a variety of sources:
  - Technical information (such as financial reports, systems analysis and budgets), advisor reports and previous evaluations will be complemented by interviews with key stakeholders
  - Provinces will be included that represent a range of experiences and results for the PCaB II, as well as one with no engagement in the programme, in order to compare and contrast findings.
  - The national and provincial levels of government will be consulted
  - Data will also be sought from external but linked departments or programmes such as SNS/PPII staff, general provincial administrative staff (not just financial or treasury) and others.
- Analysis will be conducted collectively and iteratively throughout the data collection process as well as at the end of the data collection.
- Findings, observations and options will be explored with as broad a group of stakeholders is possible

## Reporting

An aide memoir will be prepared prior to the MTR team leaving PNG. Information in that Memoire will cover the following areas:

- Programme performance
- Stakeholder cooperation and partnership
- Effectiveness and relevance of the programme
- Identification of good practices
- Significant lessons
- Recommendations for the future of PCaB II

A draft final report will be prepared and shared among key stakeholders for comment. The final report will be completed following received comments.

Criterion	research questions	Who do we need to ask?	How do we get this data?
<b>1. Relevance</b>			
Testing if a financial management capacity building intervention directed at the sub-national (Provincial and District) level in support of the FMIP is a continuing area that needs support.		Provincial administration	interviews
Identifying and reporting on stakeholder expectations - including The Department of Finance, relevant Provincial Government managements and donors (AusAID and UNDP) and expectation achievement. Expectations may include such matters as reporting on progress, steering group arrangements, cost efficiency and advisor support and the contribution of expectations to achieving significant changes.		National, provincial	Reports interviews
Identifying linkages and synergies to other programmes, programmes and activities both of			interviews

Government and the donor community.			
<b>2. Effectiveness</b>			
Assessing and reporting on the effectiveness of PCaB II as an intervention into building capacity – i.e. to what degree has progress been made to achieving what it has set out to do (outputs) and progress towards achieving the overall objectives (outcomes) as per the Programme Document and subsequent Annual Work Plans.	How are capacity building and advisors linked to what else is going on in the provinces?		interviews
Analysing the underlying factors beyond the programme's control that influence the achievement of development outcome.			
Analysing whether the strategy for achieving these outcomes was effective/appropriate?			
Assessing the degree to which PCaB II is integrated into the broader system of PNG Public Financial Management and service delivery reforms.		Provincial and national departments	interviews
<b>3. Impact</b>			
Assessing evidence regarding achievement of the three primary objectives of PCaB:	Technical analysis	Treasury – national and provinces, DoF	Financial reports
<ul style="list-style-type: none"> <li>• Effective decentralisation of financial management, by:</li> <li>• supporting efforts to roll-out the IFMS at the national level and prepare sub-national financial managers for the planned introduction</li> </ul>			

<p>of IFMS;</p> <ul style="list-style-type: none"> <li>Supporting the district treasury roll-out through training and capacity building initiatives.</li> <li>Enhanced accountability and transparency, by:</li> <li>improving the quality and timeliness of financial reporting at the sub-national level to ensure compliance with legal requirements and to provide sub-national administrations with accurate and up-to-date information on their finances;</li> <li>Supporting effective treasury management systems incorporating more effective use of ICTs.</li> </ul>	<p>Technical</p>	<p>Treasury, national and provinces Provincial Administrators, Deputy Administrators, Sectors</p>	<p>review of the quality of financial reports Inquiry with PA and Deputies: do they receive the reports and are they are helpful to them?</p>
<ul style="list-style-type: none"> <li>Improved financial management capacity, by:</li> <li>building sub-national capacity to implement the Public Finances (Management) Act and the Organic Law on Provincial and Local Level Governments;</li> <li>improving strategic planning and coordination of treasury functions (within treasuries and with the administration) at sub-national levels;</li> <li>Ensuring better delivery and dissemination of training and research on sub-national financial management, drawing on the experiences of the provinces that have taken early initiatives to improve financial management.</li> </ul>	<p>This one is too broad for this review and speaks to the overall goal of the programme.</p> <p>Technical</p> <p>Links to Criteria 8 about analysis and learning How has the programme changed over time nationally and in provinces?</p>	<p>Treasury – national and provincial, DoF</p> <p>National provincial and</p>	<p>Financial reports</p> <p>Stakeholder workshop after preliminary analysis of data collection,</p> <p>Check review findings against regular programme reports</p>

Assessing any evidence of improvements/changes that have occurred as a result of the activity, including how are they evaluated or recorded and the nature and context of changes.			Reports interviews
Assessing any unintended consequences, good & bad, of the activity and responses to the consequences by stakeholders.	What else has happened as a result of PCaB advisors inputs?		interviews
<b>4. Efficiency</b>			
Assessing to what extent the management arrangements minimise transaction costs of the PCaB Programme implementation (or financial management?)	Technical	National and provincial levels	Reports?
Evaluating the capacity and structure of supervisory and advisory management in place, including the delivery of inputs in terms of quality, quantity and timeliness	<ul style="list-style-type: none"> <li>Need to be specific about the advisors – i.e. what are we looking for from advisors and their supervisors? Are they turning up to work, are they doing, advising or a combination? Do they understand the dynamics between doing/advising? What lasting capability is being developed here?</li> </ul>		interviews

<b>5. Sustainability</b>			
Analysing the level of ownership of financial management in Provinces, and the main constraints/opportunities for improving ownership for this programme.	How would review team members define/recognize 'ownership' and thus what would we ask about this?		interviews
Assessing the level to which advisors are accountable to provincial administrators, treasurers and GoPNG and the method, levels and effectiveness of assimilating financial management principles into the Provincial Financial Management context and system.		Provincial administration and treasury	interviews
Identifying possible futures for PCaB II including discussion and recommendations on alternative options to providing support to the FMIP, apart from the current model.	Stakeholder workshop in PoM to discuss the preliminary analysis of the review and consider options	Team to discuss, identify who etc - - DoF, UNDP, AusAID, DPLGA,	Stakeholder workshop
<b>6. Gender Equity</b>			
Not addressed in the design	Draw on the work on gender budgeting in the SNS, seek information on ways (if at all) that budgeting and spending decisions affect men and women differently – Explore the ways that sectors disaggregate data on this, if at all	Ask the provincial administration if they are aware of this and if they collect information on it  PPII budget advisor from SNS in Central province is potentially a useful person to advise in this area.	interviews
<b>7. Monitoring and Evaluation</b>			
Check what the design says on M&E	-Review who reports on the programme and if monitoring is reliant	National programme management	Team leader and DPLGA representative to review this area.

	<p>on advisor reports alone or other sources?</p> <p>Need to identify ways that the programme monitoring can utilize and strengthen PNG systems, and to ensure that M&amp;E is contextualised and acknowledges links to other services</p>		
<b>8. Analysis and Learning</b>			
<p>Links to Criterion 3 (Impact) PCaB objective 3</p>	<p>Is there learning more broadly than the key stakeholders</p> <p>Is the programme integrating with other CB programmes in the province – that it is more contextualized to that province?</p>		<p>will be part of the analysis done by the team</p>

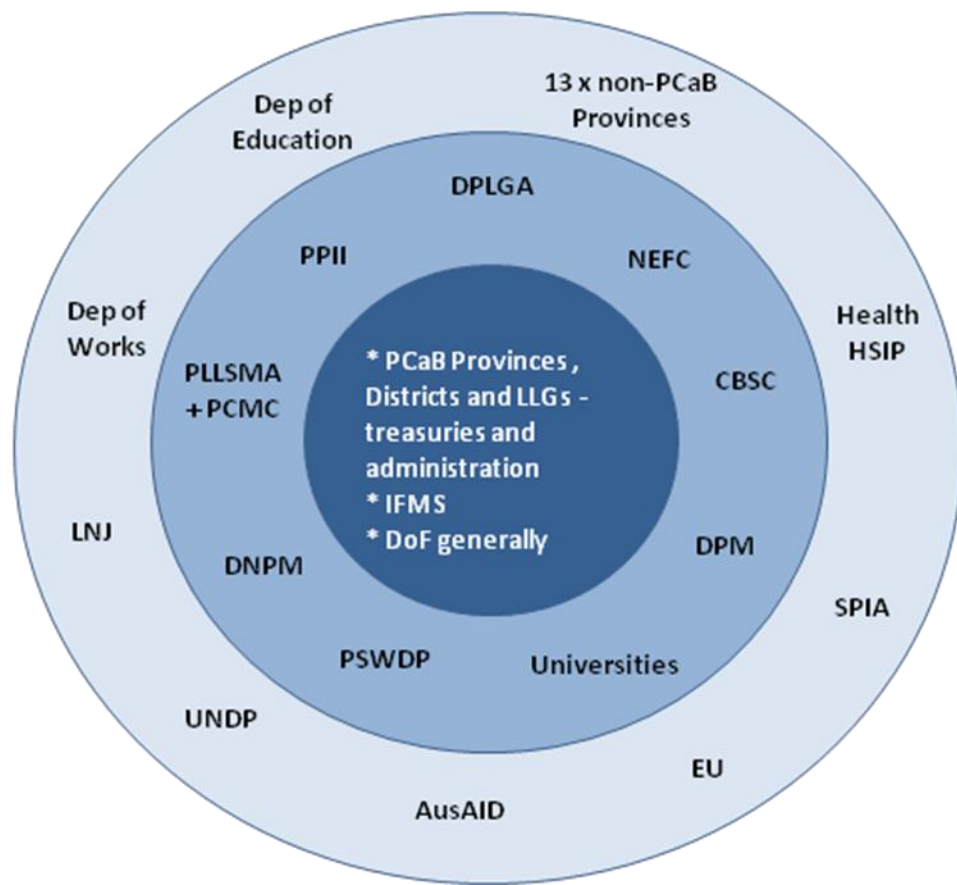


### Annex 3 Interviews and Meetings Conducted

The interviews and meetings conducted for the purposes of this review are listed below:

Office	People
Morobe Province	Mr Gioving Bilong, Deputy Provincial Administrator (Corporate Affairs); Mr Andrew Namuesh, Provincial Treasurer; Mr Philemon Nagepu, Provincial Accountant; Mr Gerard Songi, PCaB Advisor; Ms Roselyn Akis, District Treasurer; Mr Murika Bihoro, Provincial Programme Advisor (Education) MPA; Mr Miring Singoling, Human Resource Advisor MPA; Dr Theo Likei, Provincial Programme Advisor (Health) MPA; Mr Dollie Kungie, Provincial LLG Advisor (DPLGA).
Western Province	Deputy Provincial Administrator (A/g PA), Willie Kokoba; Provincial Treasurer, Alois Thompson; Provincial Accountant, Sigi Gabai; System Administrator, Waneau Songoro; Certifying Officer, Thomas Dengao; North Fly District Treasurer, Karl Kanong; North Fly District Accountant, Noah Tima; A/g South Fly District Accountant, Teva Tobua; North Fly District Education Advisor, Charlie Buia; North Fly District Health Advisor, Goneng Yokowar; Provincial Training Coordinator, Kaiamin Niggins; LLG Coordinator, Segal Wape; LLG Inspector, Donald Bauwa; Kiunga Town Manager, Soy Soyava; Kiunga Executive Officer, Nok Muruwong; Kiunga Financial Administrator, Henry Jengian; A/g LLG Manager Kiunga Rural, Vincent William; Provincial Support Advisor, Pilatus Gramme; District and LLG Support Advisory, Anthony Ropa;
Madang Province	Bernard Lange, Provincial Administrator, Simon Simoi, Director, PCT; Margaret Iaita, Provincial Treasurer; Regina Rakua, Provincial Accountant; Jennifer Yammelong, Examiner; Helen Kanimba, District Treasurer;
Central Province	Manasseh Rapila, Deputy Provincial Administrator (A/gPA); Wallis Imbal, Provincial Treasurer; Pim Kunipi, PCaB Provincial Support Advisor; Martin Gele, PCaB Provincial Support Advisor; Rose Isana, PPII Advisor, Budget and Expenditure; AusAID co-located staff, Colin Wiltshire; LLG Advisor, Tabu Vaira
DNPM	Acting Deputy (PIP) Takale Tuna and Assistant Secretaries and planners
DPLGA	Mr Dickson Guina, Director for Capacity Building, PPII.
DoF	Mr P Micah, A/ AS (FTB), Mr L Sataro Ag AS (Public accounts & Reporting – AFSD), Mr S Penias A/FAS (PDFMD), Mr S Erepan NPC PCaBII, Mr J Kerwin, Deputy Programme Manager FMIP,
UPNG	Dr CLN Pillai, UPNG (Accounting & Business), Ms J Nnko, Intern 2009, Mr P Naru, Intern 2009
PLLSMA	Director, Mr Julius Wargirai and Ms Jennifer Ademe, Eva Kola.
PSWDP	Director Mr Angori Wewerang,
AusAID	Mr A Elborn, First Secretary – Economic & Public Sector Governance; Mr S Ilave, Programme Manager.
SNS/PPII	Ms Dorothy Luana, AusAID Programme Manager SNS, Mr Paul Bridgeman AusAID co-located staff, ENB, Ms Moale Vagikapi, AusAID co-located staff, EH.

## Annex 4 PCaB II Stakeholder Map



- Primary Stakeholders - the main targets of the programme
- Secondary Stakeholders - with active participation or direct interest in the programme
- Tertiary Stakeholders - with indirect engagement or funding interests

## Annex 5 List of Documents

- Australian Agency for International Development, 2008, *Quality at Implementation Report for Provincial Capacity Building Programme Phase II*
- Australian Agency for International Development, 2009, *Quality at Implementation Report for Provincial Capacity Building Programme Phase II*
- Australian Agency for International Development, 2010, *Improving the Provision of Basic Services for the Poor. Linkages with Broader Public Sector Reform*. March 2010
- Belling, Philip and Ortega, Ma-Antionia, 2006. UNDP Provincial Capacity Building Project Evaluation Mission 4 to 17 October 2006.
- Bolger, J; Dobunaba, F; Mooney, J and Land, T; 2009, *P New Guinea Sub-national Strategy Options Paper – Capacity Building*
- Dixon, Geoff, 2009. *Fiduciary Risk in Disbursing Aid Funds through PNG Financial Systems: Survey of Evidence*. September 2009
- Department of Finance, Government of Papua New Guinea (GoPNG) and United Nations Development Programme (UNDP), *Provincial Capacity Building Programme Phase II 2008 2010 Design Document*,
- Department of Finance, Government of Papua New Guinea (GoPNG) and and United Nations Development Programme (UNDP), *Provincial Capacity Building Programme Phase II 2008 Assessment Report*
- Department of Finance, Government of Papua New Guinea (GoPNG) and and United Nations Development Programme (UNDP), *Provincial Internship Placement Report, 2009*.
- Fargher, T; Laing, A; Land, T; & Mooney, J; 2009, *Interim Note on AusAID Support for Deeds Centralised Service Delivery*, AusAID October 2009.
- Government of Papua New Guinea, 2006. *Roll-Out of the Provincial Performance Improvement Initiative (PPII)*, April 2006 or
- Government of Papua New Guinea, 2009. *Economic and Public-Sector Programme Design Document*, May 2009 (draft copy)
- Laing, A; Dixon, G; Moores, G; Lean, J; Codogan\_Cowper, T & Lees, J, 2009, *Papua New Guinea Sub-national Strategy Option Paper – Funding and Financial Management*, September 2009
- National Economic and Fiscal Commission, 2009. *Walking the Talk: Review of All Expenditure in 2008 by Provincial Governments*, Papua New Guinea November 2009
- National Economic and Fiscal Commission, 2010. *Minimum Priority Activities (MPAs): Aligning Provincial Performance to Vision 2050* power-point presentation, October 2010
- Papua New Guinea Department of Finance Financial Management Implementation Programme Corporate Plan 2010 to 2013
- UNESCO, 2010, *Gender Responsive Budgeting*
- United Nations Development Programme, 2007, *Capacity Assessment Practice Note*