



# GOVERNANCE

## Briefing Note Series

### Briefing Note 1: Program History and Political Context

#### PNG Decentralisation and Citizen Participation Partnership (DCPP)

Issue 2, Vol 1: June 2019

*“Decentralisation in PNG is an arena of contestation. The push and pull between recentralising authority and resources - and decentralising them - often manifests in two policy narratives: one which seeks to give greater autonomy to provinces, and one which questions the capacity of subnational organisations to meet the required responsibilities of decentralisation. During a period of active reform – particularly multiple and competing reforms – these challenges are exacerbated. It is evident that capacity at provincial, district and Local Level Government (LLG) level is highly variable, but in most cases, challenges the implementation of any reform agenda.”*

## Summary

The Decentralisation and Citizen Participation Partnership (DCPP) in Papua New Guinea (PNG) is a complex program working in a complex context<sup>1</sup>. It must be understood in light of the contested political environment it operates, as well as the Government reform and aid efforts which have come before it. These two factors – outlined in this brief – have shaped the evolving approach of the program: what it works on and how it works.

Today, defining features of DCPP include an emphasis on an integrated multilevel approach to governance support; locally defined solutions that suit the district or provincial circumstance; best fit not best practice; a need to adapt to short and long-term changes in the political context of the decentralisation policy arena; an emphasis on state-citizen relationships, and a focus on self-reflection and learning.

---

<sup>1</sup> A complex context is one where the relationship between cause and effect (and hence inputs and outcomes) is very hard to predict. “While experience and principles from other situations may guide the design and implementation of such work, it is often the case that it is only by probing and acting that understanding is developed.” (Roche and Kelly 2012: 8-9). This is in contrast to contexts where most (if not all) variables are known up-front and the relationship between cause and effect is easier to uncover.

## Background and Approach

### Introduction

DCPP did not start as a blank slate. The investment, as it stands today, builds on decades of legislative and reform efforts undertaken by the Government of PNG, as well as a long-standing commitment by the Government of Australia to support service delivery and development at sub-national levels. The program is fully funded by the Australian Government and guided by a bilateral partnership arrangement<sup>1</sup> between the Governments of Australia and Papua New Guinea. DCPP's activities represent Australia and PNG's joint commitment to support decentralisation and improved service delivery, as articulated in Vision 2050, PNG's Medium-Term Development Plan II, the Alotau Accord 2, the Organic Law (and revisions thereof) as well as subsequent reform initiatives.

### Trajectory of decentralisation in PNG

PNG's overwhelmingly rural population (estimated to be as high as 88% of the total by the World Bank) is dispersed widely across its challenging terrain. In this setting, the delivery of basic services to support wellbeing and economic participation relies on a highly decentralised system operating at the district and local levels.

The vision of a decentralised system of government has been at the heart of PNG's nation-building, long before it achieved Independence, and is enshrined in PNG's Constitution. The PNG Constitution calls for "the creation of political structures that will enable effective, meaningful participation by our people in that life, and in view of the rich cultural and ethnic diversity of our people for those structures to provide for substantial decentralization of all forms of government activity" (Constitution of the Independent State of Papua New Guinea, section 2 (2)).

Initial forms of deconcentrated public administration first emerged in PNG after World War II, when the country was under Australian administration. Independence and the 1975 Constitution stimulated further debate on

decentralisation, at the same time as calls for autonomy in Bougainville were coming to the fore. This led to the passage of the Organic Law on Provincial Governments establishing 19 elected provincial governments in 1977. A large administrative effort occurred between 1977 and 1982 to support the implementation of the country's new system and establish political decentralisation.

The system's next major reform occurred in 1995, when elected provincial governments were replaced, Local Level Governments (LLGs) introduced, and the boundaries for open members (Members of Parliament) and administrative districts were aligned: this change began to concentrate economic and political power in the hands of MPs at the district level.

The period from 2004 to 2014 saw attention shift to districts as centres of service delivery and economic participation. This was marked by the attempt to rollout district treasuries and an increase in MP discretionary funds (or District Service Improvement funds) at the district level. This was followed by the District Development Authorities (DDA) Act 2014 which attempts to institutionalise the constituency-based funding mechanism.

While the introduction of DDAs offered motivated Open MPs a chance to promote development in their district, it also came with significant risks – service delivery priorities are vulnerable to politicisation and there are – arguably – now 89<sup>2</sup> different approaches to service delivery and administration emerging across PNG. Most recently, a change of political leadership in May 2019 has highlighted tensions between the roles of provinces and districts back to prominence.

## Recent Key Dynamics

### Centralising and recentralising forces

Decentralisation in PNG is an arena of contestation. The push and pull between recentralising authority and resources - and decentralising them - often manifests in two policy

<sup>1</sup> The Partnership Arrangement on Improved Decentralisation and Service Delivery.

<sup>2</sup> Reflecting the number of districts in PNG.

narratives: one which seeks to give greater autonomy to provinces, and one which questions the capacity of subnational organisations to meet the required responsibilities of decentralisation. During a period of active reform – particularly multiple and competing reforms – these challenges are exacerbated. It is evident that capacity at provincial, district and Local Level Government (LLG) level is highly variable, but in most cases, challenges the implementation of any reform agenda.

### Decentralisation as an antidote to service delivery challenges

Both national government and subnational actors consistently message the importance of improving service delivery and economic opportunity for local populations in their proposals and policies related to decentralisation. This focus has been reinforced by the introduction of substantial District Service Improvement Program (DSIP) funding, and ongoing efforts to implement the DDA Act.

The role of constituency-based funding has support and impetus from the political leadership of PNG and has been framed (along with other key sector policies) as an antidote to service-delivery failings by the public sector. However, there are considerable gaps between the policy and the actual functioning of these DDAs. Districts do not have clear responsibilities vis a vis provinces and local-level governments, and their resourcing is centred on DSIP funding.

### Gradative decentralisation

Proposals for a performance-based power sharing framework (known as ‘gradative decentralisation’) have been approved by the National Executive Council (NEC)<sup>3</sup>. Autonomy and devolution of responsibilities to provinces, also referenced in the governments Alotau II platform, has initially focused on three provinces: Enga, East New

Britain, and New Ireland. An ‘Inter-Government Agreement on Gradative Decentralisation (Greater Autonomy)’ has been signed with these three provinces.

Developing a performance-based power-sharing model raises many challenges for the public financial management and inter-governmental finance systems. In theory, increased functional responsibilities should imply an increase in the quantity and discretion of financial flows across economic categories of staff, operations and capital expenditure. In practice, there are few institutional arrangements in PNG that allow for this. In the absence of a clear set of criteria and an inter-governmental finance system that responds to them, increased autonomy in service delivery will be dependent on an ad-hoc and unstable process of negotiation and partnership that will be politicised and transaction heavy.

### Technical appetite for reform

The inter-governmental fiscal system in PNG underwent a significant change with the passage of the Reform of Intergovernmental Financing Arrangements (RIGFA) led by the National Economic and Fiscal Commission (NEFC) in 2009<sup>4</sup>. RIGFA established a rules-based inter-governmental grant system focused on recurrent goods and services expenditure for key service sectors. Currently, the Department of Finance is implementing an integrated Financial Management System (IFMS) in provinces, districts and key agencies as part of a sub-national strategy that also includes money management and procurement reforms<sup>5</sup>.

An over-riding constraint on the policy space for inter-governmental finance reform is the dependence on cash flow and releases rather than budgets to control public expenditure. Indeed, this approach to budget execution contributes to the political drive for increased autonomy because of

---

<sup>3</sup> In April 2018, the NEC approved the Ministry of Inter-Governmental Affairs submission on ‘gradative decentralisation’, a crucial DCP Partnership-supported step in setting Government of PNG policy direction on decentralisation.

<sup>4</sup> This reform was achieved with considerable input from Australia primary through technical assistance to the NEFC:

Intergovernmental Relations (Finance and Functions) Act 2009.

<sup>5</sup> Department of Finance, (2017), ‘Public Financial Management Subnational Strategy: Strengthened PFM to enhance service delivery in provinces and districts’, (27 November)

its disempowering effect on budget holders and has shaped local approaches to using trust funds and favouring administration and salary expenditure over other needs. Any reform to inter-governmental finance needs to engage both with budgetary processes and public expenditure management reform. The control inherent in the current system of cash releases plays a role in the political economy of PNG and will face challenges to its reform.

A key take-away from this analysis is that there are several different strands of decentralisation and service-delivery reforms. These strands have emerged at different times, at different paces, and are associated with different actors in the policy arena. The result is several simultaneous institutional reforms which overlap and even work in tension or contradiction with each other. It was in the context of these key dynamics that the DCP Partnership was established.

### Lessons from Australian support

In the late 1990's Australia made a concerted effort to support sub-national governance (as opposed to existing subnational support provided via sector programs such as health, education and law and justice). These early initiatives were facilitated through the Advisory Support Facility (ASF) and included technical assistance under the Public Service Reform Management Unit (PSRMU) (which was housed within the Department of Prime Minister), and technical support to the fledgling National Economic and Fiscal Commission (NEFC).

It was from these early forays that a series of dedicated subnational governance programs emerged between 2003 and 2015<sup>7</sup>: These subnational governance programs largely focused on supply-side factors and support for Government<sup>8</sup>.

Key lessons from these investments included:

1. *The difficulty of achieving whole-of-aid coherence.* While theoretically aid investments working on upstream and downstream government reform, as well as on front-line service delivery, coordinate approaches and resources – practically, this has proven difficult. In part this is due to tendencies for aid projects to silo by provider or sector, and in part due to the difficulty of whole-of-government coordination on the GoPNG side.
2. *Capacity development efforts need to be very circumspect in nature.* While some discrete improvements in provincial administration were made, wide scale improvements in service delivery outcomes were largely not achieved through capacity development efforts.
3. *Sub-national investments need to be linked to investments in upstream policy and legislative reform.* What is mandated by central government agencies, Parliament and political elites shapes the actions of actors downstream. Similarly, the views and preferences of front-line providers also need to shape the policy reform agenda unfolding in Port Moresby to ensure it is relevant and implementable.
4. *Shifting government or donor priorities can result in abrupt changes to support.* While this is good for enabling flexibility to respond to political priorities, major changes in programming can be detrimental to the relationships required to enable programme design and implementation.

In June 2016, the PNG Governance Facility (now known as the PNG Governance Partnership) was launched. Valued at AUD 400 million over five years, the Governance Partnership combines what were six previously separate aid projects under a single managing contractor and operational platform. The rationale was that this would provide a more efficient and effective way of delivering Australia's governance support to PNG.

---

<sup>7</sup> Including: 2003-2007: The Sub-National Initiative (SNI); 2007-2012, the Sub-National Strategy (SNS), and; 2012-16, the Provincial and Local-Level Governments Program (PLGP)

<sup>8</sup> Broadly speaking these investments were focused in four areas: capacity building of subnational administrations; policy and reforms to the operation of PNG's decentralised system; whole-of-aid program coherence; and, provincially-based representatives.

The Partnership now consists of seven work-streams, of which DCP is one.

Importantly, the Governance Partnership brought together a number of grants and projects working in the decentralisation and citizen participation space under the Decentralisation and Citizen Participation banner. This consolidation has allowed for greater coherence between Australia’s national, sub-national and non-state support for decentralisation. For example, for the first time, advisers working in the Districts and Provinces, as well as advisers located in national agencies could be brought together with civil society, media and

Church groups to collaborate on common service delivery challenges.

**Bringing it all together – DCP Partnership**

The DCP Partnership is the accumulation of several decades’ worth of collaboration, programming and learning by Australia and PNG. DCP takes forward the lessons of past aid projects and reform efforts and applies these in how it works (see Briefing Note 2 - Theory of Change) as well as what it works on (see Briefing Note 3 – Program Structure).

**Table 1: DCP Partnership approach**

Principle	Rationale
<p><b>1. Adapt and work with political change</b></p>	<p>Change in PNG (and in most other places around the world) is inherently political.</p> <p>For the DCP team, this manifests in two ways. The first is the high-level political settlement in which the decentralisation reforms are unfolding. Here aid has limited influence: the institutional and political drivers of change are deeply rooted and often opaque to outsiders.</p> <p>However, these dynamics change over time, and there are moments where critical junctures occur which aid actors can swing in behind (e.g. on intergovernmental financing, institutionalizing constituency funds and on gender).</p> <p>Second, the DCP team has opportunities to work directly with political actors (groups, coalitions and individuals) through initiatives nationally or sub-nationally. Actors who, in turn are able to collectively shape the rules and institutional arrangements that influence the political settlement.</p>
<p><b>2. Locally defined solutions and best fit (not best practice)</b></p>	<p>Past experience is that decentralisation in PNG may not look the same in any two places. Lessons can be transferred, but the specific hybrid governance and political arrangements that work in one community, district or province may not work in another – given PNG’s high levels of ethnic, linguistic and geographic diversity.</p> <p>As such, the program supports local actors to define the development problems they are facing, and work collectively (with support from DCP) to design solutions and implement them within their locality.</p> <p>In practice this translates into a series of ‘place-based Priority Partnerships’ negotiated by the two governments with specific provinces and districts; and supported by advisers, analytical and knowledge inputs, support for coordination and citizen engagement and seed funding for innovative local projects. DCP also offers a Kina plus Kina (K+K) co-funding mechanism</p>

	<p>which contributes to local governance objectives through shared development projects.</p>
<p><b>3. Integrated programming and an emphasis on state-citizen relationships and accountability</b></p>	<p>Aid interventions can tend to swing between supply or demand side interventions - at the expense of the 'bit in between' (i.e. the quality of the relationship between the PNG state and its citizens, and between national and sub-national government actors).</p> <p>While both demand and supply side interventions are important – neither of them is sufficient to realise the benefits of decentralisation. Only if there is greater trust in the state - citizens have an expectation of what their state should provide them, and all actors (politicians, citizens and bureaucrats) are more accountable to each other - will decentralisation outcomes in PNG improve.</p> <p>As such, unlike past efforts, DCP does not work only on supply or demand side reforms – instead it places an emphasis on the state-citizen interface and supporting engagement between national and sub-national actors in all its operations.</p>
<p><b>4. Focus on self-reflection and learning</b></p>	<p>Most aid projects in PNG tend to wait until mid- or end of program review points to make changes to their strategy, goals and approach. However, for the most part this does not reflect the ways in which change <i>actually</i> occurs in PNG.</p> <p>As such, DCP uses an adaptive programming approach. Its Theory of Change (ToC), approach to Monitoring, Evaluation and Learning (MEL), and budget and management systems are set up to encourage self-reflection and learning.</p>