

PUBLIC EXPENDITURE AND SERVICE DELIVERY WORKSHOP

Workshop Report

**Consultative Implementation Monitoring Council (CIMC) Secretariat
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Consultative
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I. INTRODUCTION

The Workshop on Public Expenditure and Service Delivery (PESD) was convened in Port Moresby, Papua New Guinea, on 7th March 2007, by the Consultative Implementation Monitoring Council (CIMC) Secretariat in collaboration with the World Bank.

The CIMC is currently in its third year of its Regional Development Forum theme of ‘Opening up the PNG Budget’ to promote the concept and practice of participatory budgeting. There are several rationales for this theme, including to remind civil society and the Government that the Budget is citizens’ and taxpayers’ money and that everyone has a right to know how money is earned and spent; to understand the systems that deliver money to Provincial and District Treasuries; and to understand how to influence expenditure at each level of government.

The PESD Workshop built on the theme of ‘Opening up the PNG Budget’ by exploring how the government spends money, and what information would be required to better monitor government spending. The objectives of the workshop were to:

- Expose empirical data that show how uneven and poor front line service delivery is;
- Highlight and explain the systems that lie behind poor service delivery, and generate interest in ways of improving them; and
- Generate a focus on the information needed in order to improve and monitor them.

The workshop was aligned with the government’s own aims and initiatives, and drew on government-sanctioned analyses. The Expenditure Tracking Surveys carried out in the education sector under the PNG Poverty Assessment conducted in 2002, and the Public Expenditure Review and Rationalization Report (PERR) of 2003 gave impetus to action to fight poverty and to advance reforms in the area of public finance management. The reforms addressed, among other things: restoring the integrity of budget institutions and systems; improving health spending; and improving education spending.

The health and education sectors were chosen for first-round attention by the PERR both because of their importance to poverty reduction and their relatively large spending shares, and were also the focus of the CIMC workshop. Reviewing the patterns and practices in public spending in these education and health sectors are important, as spending in these two sectors is largely administered by provinces and local level governments. The discussion inevitably leads to issues of accountability of sub-national governments and the responsibility of the central government in this regard. The PERR report and the CIMC workshop recognized that difficult and deep-rooted reforms of the system and governance require that significant effort go into building the demand and support for these reforms.

The workshop was viewed as a means of presenting the study finding and gathering opinions from participants, who represented a variety of perspectives including provincial administrators, national government officials and advisers from central agencies of Finance, Treasury, CACC, and the PSRMU, the Ombudsman Commission, National Parliament, National Economic Fiscal Commission, Department of Provincial and Local Level Affairs, international aid organizations, representatives from non-government groups, and academics from UPNG and the PNG Institute of Public Administration.

II. OPENING SESSION

Mr. Paul Songo, Program Manager (Provinces), Public Sector Reform Management Unit (PSRMU), Department of Prime Minister & National Executive Council, welcomed the participants and opened the workshop on Public Expenditure and Service Delivery.

Mr. Songo spoke of the benefits of transparency, stating that increased transparency should:

- Stimulate the appropriate use of public resources;
- Enable internal budget processes to be more efficient;
- Improve external scrutiny of budget parameters and the use of resources through providing greater access to information;
- Increase awareness and understanding of the uses of these public resources and the budget process and thereby help create a greater sense of civic responsibility for the use of these resources; and
- Improve the link between public priorities and expenditures through facilitating a greater public voice in the budget process.

Mr Songo also outlined the main areas in which increased transparency could be considered in PNG, including in internal Public Finance Management processes (for example, budget execution), for those both directly and more broadly involved, and including the transfer of appropriations between and within agencies. Also, increased transparency of the decision-making process should be targeted, especially where there are delays and cuts in the release of funds to line agencies and provinces for specific items. Another critical issue, particularly for this workshop to address, was the dissemination and communication of budget information in an accessible and understandable manner to the public; in other words, how does the community get the information and by whom.

After his brief welcome, Dr. Puka Temu, the Honourable Minister for Lands and Physical Planning and Deputy Chairman of CIMC, expressed his pleasure to CIMC for hosting the workshop. On behalf of the government, he expressed much appreciation to many individuals and organizations, both public, private, donor, NGO, FBO and civil society who continue to make meaningful contributions in the CIMC forum over the last nine years. He pointed out that the CIMC forum is a unique and a very effective avenue for dialogue between government, civil society and the private sector on key development issues. Much has been achieved over the years and the government is committed to support this process for a long time to come.

Minister Temu said he believed that it is important for Papua New Guineans to participate in the budget process, and held out the role of civil society in addressing the HIV/AIDS pandemic as an example to follow in encouraging greater participation in the government's budget process, which is demanded by the public. Transparency and accountability are now 'buzz words' that the public use, for good reason. Minister Temu highlighted several questions that were important for all PNG citizens to understand around issues of transparency, and which should be addressed by this workshop. What are the bottlenecks and leakages in the budget and its dissemination? How best can we track expenditure at all levels? Do we have the institutional arrangements and capacity to do so? Whose responsibility is it? How, where and when can leaders, public servants and civil society participate? What can government do to make this accountability process work more efficiently and effectively? How can civil society, including the media, participate more meaningfully in this important process? How can we make it work?

Minister Temu emphasized that the Government would be better placed to handle service delivery if civil society claimed ownership of the budget process. The Government, he stressed, was of the firm position that PNG will be better poised to weather the forces of the highly competitive global marketplace and equitably distribute its wealth to elevate the standard of living of every citizen, if

institutions of state that advance good governance are established and built, and if our culture tips towards intolerance for non-transparency, lack of accountability and corruption. When this is achieved, then PNG's credit rating would rise, and the people's welfare would also rise.

Minister Temu acknowledged and commended the CIMC for "taking the bull by the horns" in confronting these issues. Furthermore, he had some concrete recommendations to ensure and institutionalize the delivery of minimum standards in basic services. The people need to expect minimum standards of service delivery and, if they are not delivered, they need to be empowered with information and skills of how to address this problem in their area. He proposed a 'Service Delivery Ombudsman', which would trigger an accountability process when services are not delivered in a timely manner. Additionally, Minister Temu believed that a nationwide information, education and communication network be built to inform the people and institutionalize a process of acculturation towards intolerance for corruption and demands for transparency and accountability.

III. PRESENTATIONS

Presentation 1: Public Expenditure and Service Delivery in Papua New Guinea: The Experience of the Education Sector

Mr. Gaurav Datt, an economist at the World Bank, reported on the main findings on the *Survey of Public Expenditure and Service Delivery* undertaken in 2002. The study focuses on the basic education sector, examining two sets of issues: the financial flow of resources, and the facilities and conditions related to service delivery, highlighting the key problems and policy issues. A summary of the analysis of the report is presented here.

The Public Expenditure and Service Delivery (PESD) study was undertaken in a challenging economic and social context for PNG, with growing concerns about delivery of basic services. The PNG economy had been in a state of recession since the mid-1990s with negative growth in seven of the 9 years during 1995-2003. The fiscal situation had been compromised by large deficits. Debt-to-GDP ratio had risen to levels where debt servicing was becoming a significant claim on total revenues. Poverty levels had been rising. A growing imperative to contain levels of spending raised significant concerns for maintaining the level of basic services while needs had grown, and it also raised pertinent questions about how effectively social spending is translating into the actual delivery of services.

The study focuses on the education sector though its findings have wider relevance. The study's main focus is on the education sector, although it also presents some illustrative data for the health sector for which a limited amount of primary information was collected. However, the problems that affect the education sector have close parallels in other sectors, and hence the study's inquiry into conditions promoting or impeding effective delivery of education services also has broader relevance for other sectors in PNG.

The education sector in PNG has had some significant achievements since independence. The size of the education sector is large, and has grown substantially since independence in 1975. During 1992-2002 alone, the number of schools increased by 175%, enrolments doubled, and the number of teachers increased by 70%. Government expenditure on education (mostly by the national government) has been around 5% of GDP and about 15% of the national budget in recent years – these levels are not low relative to international standards, and compare favorably with other countries in the region. These levels of spending on education have also been maintained over many years.

But the key challenges of access, retention and quality remain. The first two problems are indicated by the enrolment pattern (for 2001): starting with 135,000 students enrolled in grade one, the number plummets to 75,000 in grade six, 43,000 in grade 8, 23,000 in grade 10 and less than four thousand in grade 12. The problem of retaining female students in higher grades is more severe than that for male students.

There are significant problems related to school facilities and environment, school finances, teacher and student performance, and the administration of education. Data gathered through the study highlights a number of difficulties and concerns in each of these areas.

School facilities

School facilities are deficient in many respects. The key areas with respect to which the school's physical environment is deficient are:

- Physical infrastructure (condition of classrooms, administrative block, specialist classrooms, sports equipment, school vehicle, clear radio reception);
- School utilities (electricity, water, sanitation);

- Access to other amenities (stores that sell basic school materials, post offices, banks, police stations, paved roads or public transport, and access to secondary or high school); and
- Resources for teaching (textbooks for students, library, staff room).

School closure and security issues are also a significant factor for many schools.

Poverty and remoteness matter, but not all the time. Some facilities are clearly worse for schools in poor or remote areas, especially those related to the classroom environment and access to other amenities, but this is not unilaterally so for all facilities.

Agency type does not matter, but financial resources available to schools do. Differences between church and government-operated schools are often not significant, but facilities tend to be better at schools that have greater financial resources (in particular, higher levels of non-grant revenues per student).

School finances

There are substantial gaps in financial data available at the school level, which possibly reflect both limited accountability as well as low incentives for regular record keeping. The head teacher's tenure at the school and his/her willingness to stay at the school next year tend to promote better financial record keeping. The available information nonetheless provides a detailed picture of school finances.

Subsidies, fees and grants are the three main sources of revenue for schools, while teacher salaries are directly paid by the national government. Education subsidies are paid on a quarterly basis in support of operational (non-teaching) expenses at the school level. They could be in cash or kind, and have national and provincial government components. Fees comprise of school fees and project fees collected from parents. Grants could also be in cash or kind, and come from both government and non-government (mostly donors and private business) sources.

Grants are not a dependable source of revenue for the vast majority of schools. Grants from both government and donor/business sources are often sporadic in nature, and their distribution across schools is highly skewed. A very small number of schools account for most of the grants, while the vast majorities receive little or nothing. For instance, one-third of the schools received no grants at all in 2001, while the top one-third accounted for 94% of all grants. There is no systematic pattern to the distribution of grants in terms of school characteristics, and they often tend to be a one-off event making them a highly unreliable source of finance for the vast majority of schools.

Subsidies are prone to the problems of uneven distribution ... While more evenly distributed than grants, there is still a wide variation in the amount of per student subsidy received across schools that is not explained by student composition, given that per student subsidy rates are fixed by grade, at least in principle. In practice, there are gaps between what schools should receive and what they actually receive.

... and leakage ... For 2001, our estimates of subsidy leakage, defined as the difference between budget disbursements and actual reported receipts at schools range between 16 and 29 percent (depending upon alternative assumptions on how much of the provincial education subsidies are allocated to the primary sector).

... and delays and uncertainty ... Delays in the receipt of subsidies at schools are as, if not more, serious a problem as leakages. In 2001, the average quarterly subsidy was delayed by nearly 3 months, though the length of delay varied both across schools, and by quarter. Delays go hand in hand with uncertainty about the timing of subsidy receipts (in cash or in kind). Thus, there is considerable uncertainty at the school level: they do not know how much subsidy they will get, when they will get it, and whether it will be in cash or kind. This plays havoc with operational planning and management at the school level, often leaving the schools to their own devices to meet their needs for basic supplies or school maintenance.

There is considerable tolerance for non-payment of fees. In practice the system handles non-payment of fees with considerable flexibility. The consequences of non-payment are not necessarily an expulsion from school or withholding of promotion to the next grade. “Allowed to pay according to ability” is the most common response. Together with fee exemption, this accounts for three-quarters or more of all schools (according to responses from head/grade-5 teachers). At one level this practice erodes the direct accountability of schools to parents, but at another level it also achieves a degree of needs-based targeting. One should however bear in mind, this does not include parents who either do not take the initial step to enroll their children in school or let them drop out of school because they are discouraged by the prospect of unaffordable fees.

No clear or consistent policy on fees. The lack of a clear or stable policy on school/project fees is best illustrated by the short-lived “free” education experiment during the election year of 2002. The Government increased the subsidy allocation 2.5 times. All subsidy payment were to be made directly to schools in cash (through checks) bypassing the provincial budget processes. But, there was lack of clarity on whether parents were required to pay any fees at all.

The experiment with “free” education in 2002 had some positive effects ... There was a substantial increase in enrolments – a positive outcome from the perspective of universal primary education. The amount of subsidies received at primary/community schools increased nearly four-fold, leakage virtually ceased to be a problem on account of the direct payment system, and delays in the receipt and use of subsidy at schools were drastically reduced (to one month relative to 3 in the preceding year). There was even an attendant increase in the share of basic education in the aggregate subsidy budget which should have rendered it more pro-poor.

... but it also exposed systemic problems ... A key problem related to the financial sustainability of the policy in tight fiscal environment. The schools’ response to “free” education further illustrates the problematic environment of education finance in PNG. In response to the free education policy, the average fee set by schools declined from K84 per student in 2001 not to zero but to K46 in 2002 – about half the level in 2001. The schools however did not give up on raising resources from parents. *First*, there was **uncertainty** – validated by hindsight – about how long the policy would last. *Second*, the **delay** though reduced was nevertheless excessive for some schools given their virtual lack of working capital in relation to their immediate operational needs. *Third*, the increase in enrolments (including that due to the return of earlier drop-outs) **enhanced schools’ needs**, while the subsidy payments were based on previous enrolment levels. This was sought to be corrected later in the year, but the initial lag created serious operational difficulties for many schools. *Fourth*, there was a lot of **confusion about what the national policy really was**, and politicians and bureaucrats played their role in leaving behind a trail of conflicting messages. The **tension between different layers of government** also played out in the relay of conflicting messages. Provincial administrations on occasion appealed to decentralization under the Organic Law to defend their right to raise parental contributions.

Teachers

The effective supply of teachers is eroded by ghost teachers ... It is estimated that about 15% of teachers – or one in every seven teachers – are on the payroll for the school, but are not on the school roster. Thus, against the average of 7.5 teachers per school on the payroll, only 6.4 teachers could be found on the school roster, implying on average one extra “ghost” teacher in every school.

... and teacher absence. The teacher absence rate (the percentage of teachers who are on the roster but were absent on the day of interview) is estimated to be about 15%. A quarter of those absent were absent for more than one week. The problem is compounded by teachers taking up their teaching posts well into the academic year. Delayed start averaged about 10 days for all school, and about 17 days for very remote schools. About 13% of school days were lost due to the combined effect of late start and cumulative absence. And the combined effect of ghost teachers, teacher absence, and

schools being closed due to lack of teachers is that starting with a 100 teachers on the payroll, the effective supply of teachers is reduced to 68.

Absence of teachers partly reflects poor incentives ... There is some evidence that delays in payment of teacher salaries encourage greater absence, and the number of textbooks per student is associated with lower teacher absence which suggests that more complementary teaching inputs improve teacher motivation by creating an easier teaching environment.

But parent and community participation significantly reduces teacher absence. The more actively parents participate in school affairs, and the more schools and community are linked, the evidence shows that the less teachers are likely to be absent. The association is of a significant magnitude: an increase in parent and community participation from about one standard deviation below mean to one standard deviation above the mean reduces the probability of teacher absence from almost 20% to almost 10%. This salutary effect of parental involvement and community participation on curtailing teacher absence also holds controlling for a range of school input variables.

Poor teacher motivation is also reflected in high teacher turnover and teacher shortages especially in poor or remote regions. Large fractions of teachers report that they have little or no say in teacher deployment and career management. Perhaps both as a cause and as a consequence of the lack of say that teachers feel they have in determining their own careers, there is a very high level of teacher turnover in schools. In 2002, the typical survey school had over two new teachers. This corresponds to almost 40% of teachers being newly appointed to the schools in which they are working. High turnover is also related to the problem of teacher shortage which is more severe in remote areas. While there is a policy in place for Disadvantage School Allowances to encourage deployment in remote areas, a significant fraction of teachers report not receiving this and other allowances despite being eligible for them.

Students

Parent and community participation and better school facilities improve student attendance ... Overall, about 85% of students attended school on the day in question, that is a student absence rate of 15%. The rates are similar for male and female students, but there is variation across schools. Schools with greater parental and community participation have higher attendance rates. Student attendance is also influenced by school facilities and teacher absence: **better school facilities promote higher student attendance while teacher absence has a negative effect.**

The evidence on correlates of Grade 8 test scores suggests that better school facilities also have a positive influence on student performance.

... and fees set by schools have a positive effect on student performance. The analysis of test scores indicates that total fees per student set by the school has a significant positive effect on test scores. Fees set by schools may be partly a measure of the parents' ability to pay and hence of their level of living (to the extent that is not reflected in the local poverty rate which is also controlled for). In that case, the result is indicative of a **parental income effect** on student performance. Alternatively, schools that set higher fees are likely to feel more obliged to deliver better performance, indicative of a **market-based accountability mechanism**. The result probably has elements of both.

Education administration

Provincial and district-level education administration fails to play an effective role ... A potentially important layer within the decentralized system of education management in PNG is the provincial and district-level administration, operating in part through the offices of Provincial Education Advisors (PEAs) and District Education Administrators (DEAs). The wide-ranging (financial as well as operational) responsibilities of provincial and local-level governments within the national education system are spelt out under the *National Charter for Reconstruction and*

Development 2000-2002. However, in practice, these agencies do not appear to function very successfully in ensuring effective delivery of education services. Their relatively ineffectual role is illustrated with regards to the management of subsidy payments. For instance, information collected through the study suggests that PEAs do not seem to keep good records of their accounts. This is reflected by their lack of knowledge of the total amounts of subsidies received by schools in their provinces. On comparing the budget disbursements of education subsidies with the figures obtained from the PEAs, we can hardly find any match at all for any province or quarter. Similarly, the qualitative study gives several accounts of the disconnect of the provincial and district-level administration with schools and their local communities; for instance, the following:

The government officers at the district level in these communities are very isolated from the people whom they are meant to serve. A common remark that is made by the community is in a question form — “Em husat ol lain ya, mipela i no save long ol”, which, in English means, “Who are these people, (district workers) we do not know them.”

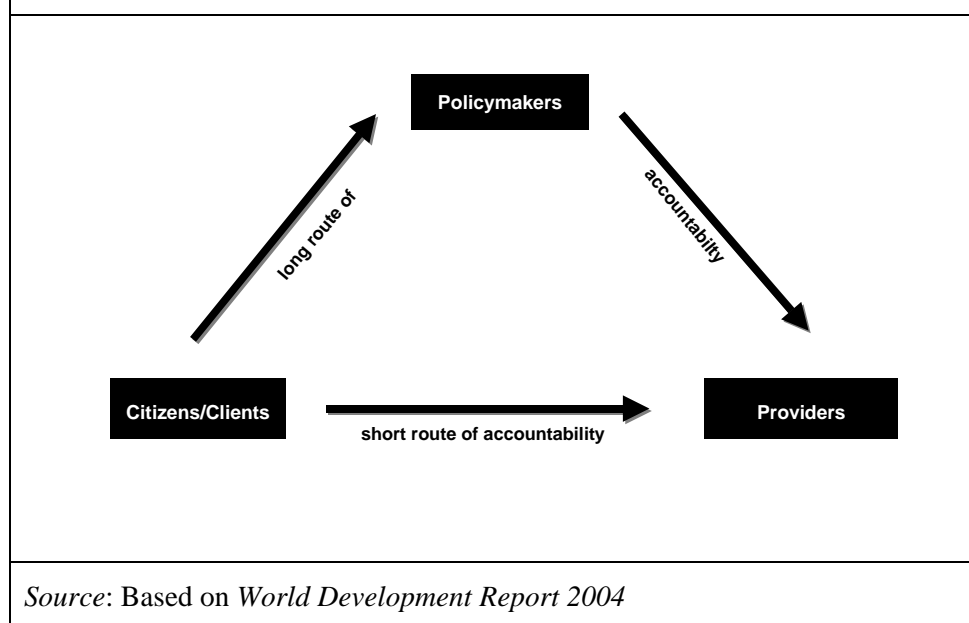
We learn who the DEA is when he is introduced as an invited guest speaker on speech days’... We do not know what his role is in education. (teachers) [NRI. 2003b, p. 85, 133]

... and the inspection system is inadequate. Inspectors are entrusted with the important task of providing advisory services to teachers, schools and provincial administration, inspecting teacher performance and school operations, and recommending teachers for eligibility for promotions. However, for many schools they are nowhere to be found. In 2001 areas over 40% of schools in remote areas had received no visit from an inspector. But it is not only the extremely remote schools that weren’t visited: in accessible areas the average was just under 30%. When inspectors visit schools, their visit usually involves only meeting with the head teachers and other teachers. For example, 93% of schools that had a visit in 2001 or 2002 report that the inspector met with the head teacher, 84% report that the visit included a meeting with teachers. Few visits involve any meetings with the Board of Management, fewer still with the PNC. Given the high importance that all respondents gave to the role of inspectors in assessing teachers, a fairly high share—almost 44 percent—of inspector visits did not include classroom observation.

Overall messages and policy implications

The analysis of effective delivery of basic services is a complex issue. For organizing the overall messages and policy implication emerging from this study, the framework recently developed in the *2004 World Development Report* can be utilized. By this framework, the service delivery chain can be unbundled into the relationships between three sets of actors: the policymakers; the frontline providers of services; and the clients or citizens who are both the source of demand for services as well as their final destination as consumers (Figure 1). According to the framework, relationships amongst three sets of actors are important for understanding delivery of basic services.

Figure 1: A triadic framework of accountability relationships



Source: Based on *World Development Report 2004*

(a) Client-provider relationship

Parental participation and community involvement contributes to better service delivery. The evidence summarized above indicates it does this by inducing lower teacher absence, lower leakage of subsidies and higher student attendance.

Non-governmental agencies such as the church are unable to guarantee more effective service delivery. The analysis in this report however is indicative of the relative absence of striking differences between church-operated and government schools for a range of indicators. Only in a few cases does the “altruistic” motivation seem to deliver better outcomes. The reason is not hard to guess. Church schools are operating in an overall financial and administrative environment that is fundamentally no different to that faced by the other schools.

While there are impediments to the operation of the “market” link (the short route of accountability) ... The direct “market” link of accountability of schools (provider) to parents and students (client) is broken because of the system of subsidized education in PNG. Even setting aside the free education experiment, education in PNG – not unlike many other countries at a comparable stage of development – is heavily subsidized once publicly-paid teacher salaries are taken into account. The “market” link is further eroded by the absence of a clear policy on school and project fees, and frequent changes in that policy, resulting in an environment where roles, responsibilities and entitlements are often poorly defined and understood.

... there is a role for the “market” link of accountability ... There is some evidence on the parents’ willing to pay for education. For instance, only about 20% of the parents interviewed in 2002 (the year of the free education policy) said that the government should pay for the cost of education; the rest (80%) thought the parents or parents and government together should bear the cost.

... but the trade-off with equity would have to be directly faced. Evidence also shows that despite the subsidy, the income effects on primary enrolment are significant and positive. As also illustrated by the experience of 2002, enrolments did expand elastically to the substantially higher subsidies offered during that year. Thus, while there is evidence of willingness to pay for education on the part

of parents, reductions in subsidy can be expected to have negative effects on enrolments. On the other hand, conditional transfer programs, like the Progresia in Mexico, are likely to defy successful implementation in PNG's context, where delivering subsidies to schools itself has proven to be extremely challenging.

There is a case for experimentation with greater flexibility in fee setting at the school level on a pilot basis (not for cost recovery but as an accountability mechanism). While the subsidy element at least for basic education would need to be maintained in the interests of ensuring wider access to education by PNG's population, the policy on user fees could be liberalized, not so much as an instrument for cost-recovery but primarily as an accountability device. The liberalization could take the form of letting the schools (rather than the PEBs or the national government) decide through the institutions of BOMs and PNCs how much fees to charge. There is evidence of the parents' willingness to pay for education which the schools and the local community are best positioned to harness. Some regulation of maximum chargeable fees will perhaps be necessary, the enforcement of which itself would be a challenge. However, the evidence on the tolerance of non-payment of fees suggests that there do exist some local limits on the exercise of monopoly power by schools, and the de facto trade-off between accountability and equity need not be as sharp as it seems. Overall, there is thus a case for experimentation with school-based liberalization of fee setting, while maintaining a high aggregate level of subsidies together with a mass information campaign on resources available at the school level (see below).

(b) Policymaker--provider relationship

There is evidence that delivery of financial resources is worse under decentralized setting. The evidence from the experimental policy of 2002 indicated that a direct cash payment system – from the national Department of Education to the schools – works much better in preventing leakages and equally damaging delays. In 2002, 3-4 times larger than the usual quantum of subsidy was delivered to schools with minimal leakage and reduced delays. The evidence also indicates that the PEAs and DEAs fail to play an effective role and the inspection system is inadequate.

There is a case for direct cash-based subsidy system ... Thus, with regards to subsidies there is a case for direct cash delivery to schools through bank deposits or checks. Other subsidiary reforms, such as subsidy payments on a 6-monthly rather than quarterly basis to reduce transaction costs, and a front-loading of the subsidy payments in view of the larger (and immediate) needs of schools at the beginning of the school year, may also be worth considering in this regard.

... that can be allocated on a more progressive basis ... (without reducing the overall level of education subsidies for the primary sector that is likely to have a negative impact on enrolments). Education subsidy policy in PNG has traditionally allowed for uniform per student subsidy rates across schools for given grades. The principle of uniformity has an element of built-in progressivity; the uniform amount translates into a higher proportion of per capita incomes in poorer areas. However, there is some scope for introducing greater progressivity by allowing the policy to offer higher per student subsidy rates for schools located in poorer or more remote areas, that may also face higher unit costs for comparable levels of education services.

... and a case for grants from government sources to be consolidated under subsidies ... For government grants, there seems to be a case for consolidating them under subsidies rather than operating them as a separate channel of financial transfers to schools. This could contribute to a simpler and more transparent system. At the provincial level in any case the evidence suggests that there is not much additional spending on education beyond the revenues budgeted for teacher salaries and education subsidies.

... and better coordination of grants from donors. The distribution of the donors' component, which accounts for about 70% of all non-government grants, primarily reflects placement decisions

related to individual donor-supported projects. There is scope here for better coordination of donor projects with a view to achieving a more equitable distribution.

Significant cost-savings are possible through elimination of ghost teachers, but danger that the problem may reemerge. With respect to ghost employees, there is an effort already underway to cleanse the payroll system. Important as this effort is, the challenge will be that once this cleansing is completed, the problem does not recur.

The scope for cost-savings through higher pupil-teacher ratios or a squeeze on teacher salary levels is limited (without affecting quality of services). This is in a context where teacher salaries have been declining in real terms in recent years, and average student-teacher ratios are on the high side (about 38 students per teacher).

There is no effective alternative to centralized payment of teacher salaries ... With regards to teacher absence and teacher performance more generally, payment of teacher salaries by the national government subverts accountability at the school level. There is little local authority (with the head teacher/BOM) to take disciplinary action against teachers (or against head teachers). However, given the problems associated with decentralized delivery of financial resources (illustrated plainly in the case of education subsidies), there may be no viable alternative to a centralized payment mechanism. There may be a need thus to look elsewhere for avenues to improve teacher performance.

... but payment of teacher allowances needs to be improved to mitigate high turnover and shortages. Based on the analysis in the study, a more promising approach may have to rely on improving teacher motivation and promoting stronger parental and community involvement. The former points to measures such as better provision of textbooks and teaching materials for students, reducing salary payment delays, fuller payment of allowances (and perhaps their consolidation under salaries as a means of ensuring fuller and more timely payment).

The inspection system needs to be better resourced, and there is a case for the provincial/district administrations to be more closely involved in this function.

(c) Client-policymaker relationship

There is a need for consistent, more stable and clearly-communicated policy ... An unstable policy environment – itself the product of an unstable political environment – can have a corrosive effect on short chain of accountability. For instance, during the “free” education experiment, the lack of a clear policy on fees at times placed schools in an antagonistic position vis-à-vis the parents who wondered why they should pay any fees if their fees had already been paid by the government.

... a role for information that can be linked to actions ... Successful delivery of funds (if, for instance, accomplished through direct subsidy payments to schools) needs to be followed up by responsible utilization of funds at schools. The role of information can be potentially important here, as illustrated by the successful example of Uganda. Measures such as a mass information campaign by the central government on the transfer of funds to districts led to a large improvement in the receipt of funds at Ugandan schools. In the PNG context, the policy of direct subsidy payment to schools could be supplemented with an information campaign – through the print, electronic media (radio and TV) and mandated postings at school notice boards – on the amount of subsidy payment per student delivered to individual schools. This information could empower the local community not only in the setting of appropriate school fees (as discussed above) but also in monitoring the utilization of resources at schools.

... but there are limits to the effectiveness of the long route of accountability under the current political system. There remain some serious constraints to the long chain of accountability that are embedded in the political reality of unstable governments in PNG that are propped up by a complex system patronage of heterogeneous (mostly clan-based) interest groups. While there is an electoral reform process underway, including the introduction of a system of proportional representation, this

reality is unlikely to change appreciably in the near future. **This reinforces the case for exploring some form of market link and strengthening the hand of the client.**

Presentation 2: The 2005 Provincial Function Grant Review

Dr. Nao Badu, Chairman and Chief Executive Officer, National Economic and Fiscal Commission (NEFC), reported on the findings of the Provincial Function Grant Review carried out in 14 provinces during 2005.

Every year over K100 million is distributed to individual Provinces to provide goods and services to their people. The Government has allocated a substantial amount of these funds to the priority areas of basic education, rural health and transport infrastructure maintenance through function grants, which are for the delivery of goods and services, and not for administrative costs. The Provincial Function Grant Review looked at the flow of the function grants from the national to the provincial level in terms of the speed and reliability of transfer, and at the expenditure of the grants in terms of speed and where it was spent. The Review looked at provincial financial data and conducted provincial visits.

The key results of the Review were that Waigani released the function grants relatively quickly, disbursing 61% by June and 91% by September. On average, 11% of the function grants were not expended by provincial authorities, and, in general, the grants were not spent quickly, taking from five to 39 weeks to be disbursed. For education and health spending, most provinces spent the money as it was intended, but for transport, only four performed well.

The provincial findings were collated into a comparative 'Functional Grant Scorecard'. Provinces were ranked according to key performance indicators such as spending rate, rollover percentage, percent spent on salaries and wages, and percent of cash release. The best performer was West New Britain Province, while the worst off was Central Province.

The main problems and issues cited by the review regarding rural health were related to excessive spending on wages (and thus insufficient funds left for goods and services), and insufficient spending on priority programs. For education, it was found that there was excessive spending on high/secondary schools, delayed funding to schools, and poor monitoring of major contracts. For transport infrastructure maintenance, there was too much spending on building maintenance, spending was too slow, and sometimes, funds were not spent at all.

In summary, Dr. Badu emphasized that the provinces could more effectively use the function grant funds by:

- Spending all the money they receive;
- Spending the money in a timely manner and avoiding holding the money until the end of the year;
- Spending the money on the purposes for which it was given; and,
- Sharing financial information with Program managers and discussing implementation problems.

In addition, within the provinces, the Provincial Treasurer should be included as part of the management team, and the Provincial Treasury must make financial data available to the Provincial Administration.

Ms. Felicia Dobunaba, Director-General, Central Agencies Coordinating Committee (CACC), Department of Prime Minister and NEC, chair of the second session, recapped the main points made thus far in the workshop.

Presentation 3: Evidence on Service Delivery

Dr. Thomas Webster, Director, National Research Institute, spoke about some of the key issues in gathering evidence on service delivery.

In line with the NEFC and MTDS, Dr Webster defined 'basic services' as:

- Basic education: access to elementary and primary education;
- Access to basic health services at an aid post, health centre or hospital; and
- Road/airstrip or some other form of transport available to provide government services and access to markets.

Dr Webster pointed out that, at the local level, citizens know whether services are being delivered; the key public administration issue is how to manage and use that information at the district, provincial and national levels.

In the education sector, monthly school reports to provincial education offices include information on enrolment and staffing by grade and class, the number of days the school is open, average attendance, and any specific highlights or problems. The reports are copied to the District Education Officer and School Inspector, and are generally used to collate provincial enrolment and staffing statistics for forwarding to the National Education Office for compilation of national education statistics. As a result, provincial and national enrolment rates are known by district.

The National Education Department has taken the decision to carry out a major school information data collection system on an annual basis through what they call Education Census Week. A vast amount of information is going to be collected, and it will be interesting to see what is done with the information. There are also Management Information Systems in the other basic services sectors, including for the Health Department, and a Road Network Surveillance Reporting System.

In short, considerable amounts of data are already being collected to inform on basic service delivery in PNG. There needs to be more focus on who gets the information, and what they do with it.

Presentation 4: Transparency and Information: What information do we need most, and what can we get?

Ms. Mary Betley, Consultant, World Bank, pointed out that transparency and information can be key motivators for reform. Access to timely, accurate, comprehensive and useful information on the state's fiscal activities helps ensure accountability of the government to its population. An outline of Ms. Betley's background paper is presented below.

The objectives of greater transparency are to:

- Stimulate greater demand for the appropriate use of public resources
- Enable internal budget processes to be more efficient;
- Improve external scrutiny of budgetary parameters and the use of resources through providing greater access to information;
- Increase awareness and understanding of the uses of public resources and the budget process and thereby help create a greater sense of civic responsibility for the use of these resources
- Improve the link between public priorities and expenditures through facilitating a greater public voice in the budget process

Two main types of transparency

- Greater transparency of internal Public Finance Management (PFM) processes (e.g. budget execution) for those both directly and more broadly involved. Examples include transparency in:
 - Transfers of appropriations between and within agencies
 - Decision-making process behind delays and cuts in release of funds to line agencies and provinces for specific items

- Dissemination and communication of budget information in an accessible and understandable manner to the public to help inform them of the availability and use of resources.

Suggested recommendations – external information

- Recommendations for greater availability of information externally are made in two forms: (i) those that can be achieved in the short-term with existing available information, possibly with some relatively small modifications; (ii) those where the information is not easily available at present or which require changes in processes.
- Information should be made both available and in a timely manner

Short term – based on current available information

- Ensure that all budget-related legislation, general orders and regulations are available publicly, at least on the website
- Provincial budgets
- Annual financial statements
- Audit reports
- Timely reporting on budget execution by line agencies

Medium-term

- Simplified budget in an accessible form for the wider public
- Explanation of budget process for the wider public
- Greater digestibility of all types of budget information
- Information at the district and village level on provision of resources for local roads, schools, aid posts, and other services

Suggested recommendations – flows of internal budget information

- Active communication (e.g. faxing) of monthly warrants to provincial administrators and budget officers, as well as provincial treasurers
- Transparency and documentation of information flows at all stages of the budget execution system (appropriation warrants, CFCs, delivery and payment for items), including information on Section 3 and Section 4 transfers (transfers within and between agencies)
- Details on the execution of trust account resources, including by activities financed as well as economic classification
- Details of gross revenues and expenditures for statutory authorities.

The following three tables provide a more detailed look at the types of budget information which could be provided more widely, taking into account the: (i) accessibility of information; (ii) timeliness of the provision of information; and (iii) digestibility of the information

Table 1: Budget Information for the Wider Public

Type of Information	Current Dissemination & Remarks
National budgets	
National budget books – all volumes	Treasury website
Secretary’s Budget presentation	Available to reporters during the lock-up

	If not already, could be added to the website
Budget Summary	To be prepared When prepared, could be added to the website
Budget Speech	Treasury website
MTDS	Treasury website
MTFS	Treasury website
Budget Strategy Paper	Treasury website
Budget circular	Treasury website 2007 Budget Circular does not appear to be on the website
Mid-Year Budget Statement	To be prepared When prepared, could be added to the website
Treasury Economic Monitor	Treasury website
Quarterly fiscal outturn reports	Treasury website Timeliness is an issue – should be published on the website as soon as it is ready
Debt Strategy Paper	Treasury website
Year-end financial statements	Not easily publicly available If not already, could be added to the website
Audited accounts	Not easily publicly available If not already, could be added to the website
Audit reports	Not easily publicly available If not already, could be added to the website
Awards of procurement contracts	Not easily publicly available If not already, could be added to the website
Provincial budgets	
Provincial budgets	Not currently readily available to the public
LLG budgets	Not currently readily available to the public
Other	

Information on total executed expenditures by sector and by geographic area	Such information is not yet readily available
Information on total planned expenditures for individual service delivery units	Such information is not yet readily available
Information on service delivery performance	Such information is not yet readily available

The following information items (Table 2) could also be made available to the public on request.

Table 2: Additional Information Which Could be Made Available to the Public on Request

Type of Information	Remarks
Information on total planned and executed expenditures by sector and by geographic area	Will require changes in how information is collected and aggregated
Information on total planned and executed expenditures for individual service delivery units	Will require work on the flows of information
More detailed budget execution reports, showing budget implementation by main agencies, function, as well as economic items	Will require changes in how information is collected
More disaggregated information from line agencies (e.g. supporting documentation behind determination of budget allocations)	
Information on service delivery performance	Collection of this information will be longer-term in nature.

Finally, Table 3 presents suggestions on internal budget information that could be provided or disseminated more widely.

Table 3: Internal Flows of Budget Information

Type of Information	Remarks
Active communication of warrants to provincial administrators, and budget officers, as well as provincial treasurers	Information could be faxed to the provincial administrators and budget officers at the same time as it is being sent to provincial treasuries
Transparency and documentation of information flows at all stages of the budget execution system	The steps include: appropriation to warrants to CFCs to delivery and payment for items, including information on Section 3 and Section 4 transfers
Details on the execution of trust account resources, including those activities which are funded by trust resources	

Details of gross revenues and expenditures for statutory authorities	
Minutes from Budget Screening Committee	Could be made available at least to relevant departments and provincial authorities

IV. DISCUSSION AND RECOMMENDATIONS

Based on discussions in small groups, the workshop made the following recommendations:

1. **Who has what responsibilities and how are they monitored and enforced?**
 - a) Responsibilities are still not clear regarding:
 - i. Management
 - ii. Service delivery
 - b) Accountability of the provincial, district, and local level officials through:
 - PSMA (Public Services Management Act)
 - PFMA (Public Finance Management Act)
 - CACC Act
 - Section 119
 - Quarterly report
 - c) Need to provide incentives for reporting and improvement in management.
2. **What information do people at local level need to hold leaders and district managers accountable?**
 - a) All stakeholders external to Government must be involved in receiving support and effective information flow through quarterly reports and newsletters for the basic services: education, health, maintenance and transport.
 - b) CIMC tasked to act in the interest of implementation of every area any policies, strategies, programmes by working with all the relevant government agencies, departments, private sector, stakeholders and the like.
 - c) Establishing a Performance Monitoring Framework.
 - d) CIMC must follow up on implementation of findings of reports and surveys. This process must involve all the stakeholders and hold seminars with grassroots stakeholders.
 - e) Initiate remedial measures where delays and mismanagement happened. The national relevant agencies/departments to induce the reinforcement of discipline and development culture.
 - f) Get involved and participate in the national efforts for monitoring. Develop structures, and chain of command and use them to channel down from the Central Government to the grassroots and vice versa.
3. **What information and information flows are needed inside of government (both national and subnational levels) to make management of public expenditures more effective?**
 - a) Provincial program managers for (Health, Education, Maintenance and Transport) need to receive information on when their programs funds are available to spend (warrants of function grants from Waigani)
 - b) National line agencies and donors need to know how much total revenue provincial governments have available so they can have realistic expectations of what provinces are able to spend to support service delivery. Some provinces can afford to spend much more than others.
 - c) Provincial Government and Joint District Planning and Budget Priorities Committees need information on which recurrent and development activities will be funded in their province and district, by:
 - i. National agencies, and

ii. Donors

So they can plan their budgets in a more complementary way.

- d) The community/public need to know who the key government officials are, such as their LLG Counselors, the District Manager, Members of the Joint District Budgeting Priorities Committee, as well as at the Provincial level. They need to know who are the Provincial Program Managers, Provincial Budgets Officers, Provincial Treasurer, and Provincial Administrator. This is so that the people know who the key decision makers are, and what they are responsible for, and who they can hold accountable.
- e) The community and public must understand that the Ward is the basic political unit, and that it is at this level that the people can receive information and channel their concerns.
- f) The community and public need to understand the structure of government under the Organic Law on Provincial and Local Level Government, and other relevant legislation. They also want to know what the decision making processes are.
- g) The people want to know who to build quality relationships with in Government.
- h) The District and Provincial Five year Plan, its sources of funding, and channels by which funds will flow, along with timing of the cash flow. This information should be published in the daily newspapers.
- i) Through their representatives, perhaps the LLG members or their Member of Parliament, and District managers, the public want information on a quarterly basis about actual expenditure against allocation, for each program specifically for their geographic area.
- j) That the Financial Management Improvement Program of the Department of Finance, ensure that the budget and expenditure figures are coded so that budget information would be disaggregated on a sector and geographical basis (LLG level) so that budget recipients would know their entitlements and could plan and monitor accordingly.

4. How can information release be systematised at all levels? How to produce timely, regular and accessible info on the development budget, current budget and trust funds?

- a) Must have more direct involvement of the Provincial Treasurers.
- b) Need for measures to improve coordination at all levels of Government.
- c) Local level governments have the right to information. This needs to be published information on a quarterly basis.
- d) There needs to be ownership of the decision-making process by the people.
- e) Besides the Department of Treasury Website and the CIMC Forums, budget information could be disseminated to a wider audience through:
 - The print and radio/ TV media;
 - Public access points, such as health centres;
 - Existing NGO networks, such as NGOs, donors, and other civil society organizations who work with communities, to disseminate;
 - Community/village groups; and
 - Development of a program to build public awareness of the importance and relevance of the budget and the budget process, through a series of public district and village meetings.

Annex 1: Workshop Agenda

8.30am Registration

9.-9.10am **Official opening and Introduction** - Chair person Mr. Paul Songo, CBE

9.10- 9.30am **Keynote address – Why Information Matters** – The Hon. Dr. Puka Temu, Minister for Lands and Physical Planning and Deputy Chair, CIMC

9.30 - 10.30am **Survey of Public Expenditure and Service Delivery : Lessons and Issues** –Gaurav Datt, World Bank

10.30 – 11.00am Morning tea break
Chair person Ms. Felicia Dobunaba, OBE

11.00 -12.00 **Updating the evidence** – work done since the PESD:
(1) Evidence on allocation and use of resources at subnational levels -
Dr Nao Badu, NEFC
(2) Evidence on service delivery - Dr Thomas Webster, Director NRI

12.00 -12.15pm **What information do we need most, and what can we get?** – Mary Betley, World Bank consultant

12.15-1.15pm Discussion groups

1.15-1.30PM Presentations and closure

1.30-2.30pm Lunch

Annex 2: List of Participants

GOVERNMENT

Dept. of Lands & Physical Planning

Hon. Dr. Puka Temu, MP
Minister for Lands & Physical Planning &
CIMC Deputy Chairman

Dept. Prime Minister & NEC

Ms. Felicia Dobunaba
Director-General
Central Agencies Coordinating Committee

Mr. Paul Songo
Program Manager (Provinces)
Public Sector Reform Management Unit

Mr. Eric Carlua
Principal Advisor

Ms. Winnie Kiap
NEC Secretary

Dept. Provincial & Local Level Govt.

Mr. Ricky Kumung
PLLSMA

Mr. Julius Wargirai
PLLSMA

Mr. Graham Tuck
Project Officer

Dept. of Treasury

Mr. Aloysius Hamou
FAS – Financial Evaluation Division (FED)

Mr. Eric Aelpers
Principal Economist

Mr. Samson Polume
Project Support Manager
PERR,EPD

Mr. Ropit Botong
AS – Economic & Infrastructure

Mr. Kiren Andrew
Graduate Training

Mr. Erik Aelpers
Principal Economic

Dept. of Finance

Mr. Jacob Keap
Research Officer

Mr. Max Teine
Executive Officer

Dept. of National Planning

Mr. Tony Liston
Development Advisor
APCD

Dept. of Agriculture & Livestock

Ms. Rebecca Kiage
Senior Co-ordinator
Compliances & Monitoring

Mr. John Taunu
Director

Compliances & Monitoring

Dept. of Trade & Industry

Mr. Ronald Maru
Director – Policy

Mr. Kuniyasu Kovceyashi
Advisor – JICA

Department of Education

Mr. Leveni Sisio
Assistant Secretary
Finance & Budget

Office of Auditor General

Mr. Pona Kawa
Deputy Auditor General

Mr. Glen Hurley
Manager
Finance & Administration

Ombudsman Commission

Mr. John Toguata
Deputy Commissioner

PNG Sustainable Development

Ms. Elise McCauley
Policy Evaluation Analysis

Nat. Economic Fiscal Commission

Dr. Nao Badu
Chairman & CEO

Ms. Kathy Wimp
Consultant – Advisor

Mr. Tony Simonelli
Consultant

National Research Institute

Dr. Thomas Webster, MBA

Director

CIVIL AVIATION

Ms. Yvonne Hitolo
Chief of Development

Department of Defense

Mr. Grey Mana
Analyst

Mr. H. Stanis
Analyst

PNG WATER BOARD

Ms. Betty Kuili
Expenditure Accountant

PARLIAMENT

Mr. Gavera Rei
Interpreter

BANK OF PNG

Mr. Sali David
Economic Manager

GROUPS

INTERNATIONAL ORGANISATIONS

World Bank

Ms. Helen Sutch
Regional Governance Adviser
East Asia and Pacific Region

Mr. Gaurav Datt
Economist

Ms. Mary Betley
Consultant

AusAID

Mr. Mark Bailey
Counsellor
Governance

Ms. Susan Wilson
Counselor

Mr. Kieth Joyce
Second Secretary

Ms. Moale Vagikupu
Senior Program Officer
Governance

Mr. John Varey
Program Officer
Sub National Strategy

Mr. Matt Mom's

Mr. Nige Kaupa
Program Officer
Sub National Strategy

Mr. Takon Jones
Senior Program Officer
Education

UNITED NATIONS

Dr. Kojo Acquaisie
UNCF – Policy Advisor

EUROPEAN UNION

Mr. Jethro Apinas
Program Manager
Program Management Unit

PROVINCIAL GOVERNMENT

EASTERN HIGHLANDS

Mr. Munare Uyassi
Provincial Administrator

Mr. Roop Thapa
Financial Advisor/Controller

Mr. Paul Makeso
Provincial Treasury

Mr. Ben Ulopo
Director & Chairman

MILNE BAY

Mr. Steven Gibson
Deputy Provincial Administrator

WEST SEPIK

Hon. Gerald Gubon
Deputy Governor

Mr. Chris Talie
Visitor

MANUS

Mr. Kisokau Pochapon
LLG President

Mr. Francis Posanau
LLG Representative

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Mr. Paul Barker
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CIMC

Mr. Francis Gaglu
Research Officer
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Mr. Steven Goie
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Ms. Aubrey Charette
Research Assistant

FORD

Mr. Aphonse Pu
Executive Director

Workers Union of PNG

Mr. Michael T.W Kandakasi
National General Secretary
Amalgamated General

National Road Safety Council

Mr. Rupa Loi
Officer in Charge

POM South LLG

Mr. Steve Kariko
Counsellor

National Youth Volunteer Service

Mr. Ian Lapu
Volunteer

Ms. Thelma Ninjipa
Volunteer

Kukukuku Landholder

Mr. Michael T. Wanomo
Paramount Chief

Business Council of PNG

Ms. Lanna Kami
Executive Officer

National Youth Parliament

Ms. Thelma Ninjipa
Organizing Committee

COMMUNITY REPRESENTATIVES

Central Villages

Mr. Emmanuel Oa
Community Leader

Mr. Theo Afi
Community Leader

Mr. Tony Afi
Village Leader

Mr. John Auki
Village Leader

Mr. John Hau
Village Leader

MEDIA ORGANISATIONS

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Ms. Harlyne Joku
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SOUTH PACIFIC POST

Ms. Estella Cheung
Reporter

FM 100

Mr. Ivan Boyagan
Reporter

ABC RADIO AUSTRALIA

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Mr. Urban Ganau
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