

## **CHAPTER 6. DEVELOPMENT STRATEGY**

### **6.1 MEDIUM TERM DEVELOPMENT STRATEGY**

The Medium Term Development Strategy (MTDS) 2005-2010 was introduced in 2005 to articulate an overarching development strategy for PNG that could provide a framework to guide the Government's development expenditure and serve as a guide for resource allocation and mobilisation. The strategy is based on export-driven growth, rural development and poverty reduction by means of promoting good governance and promoting key industries in which PNG has a comparative advantage on a sustainable basis. The MTDS identifies seven Expenditure Priority Areas (EPAs) to guide public expenditure. Adherence of public expenditure to these seven EPAs will ensure that the MTDS is reflected in the Budget.

The seven EPAs are:

- Primary and Preventative Health Care
- HIV/AIDS Prevention
- Basic Education
- Development Oriented Adult Education
- Transport Rehabilitation and Maintenance
- Promotion of Income Earning Opportunities
- Law and Justice

The seven EPAs are the spending priorities for the Government, because they each share two common features:

- They concern the basic needs of all Papua New Guineans: security, income, mobility, good health and schooling; and
- They require significant and increased financial resources.

While the MTDS outlines the major reform programs – Public Sector Reform, Public Expenditure Management, Macroeconomic Management, Governance, Environmental Protection, Gender Equality – these do not require significant public expenditure. Instead they require other solutions, such as stronger leadership, better policies and legislative reform.

### **6.2 2009 DEVELOPMENT BUDGET STRATEGY**

The 2009 Development Budget aims to improve economic growth and create wealth for the majority of Papua New Guineans. Medium term forecasts indicate slowing economic growth. The Government has therefore decided to take deliberate policy decisions to increase investments in the non-mineral sector of the economy and to create the opportunities that allow people in rural areas to participate in and benefit from the growth process.

The 2009 Development Budget recognises that improving economic opportunities and providing other essential services, can only be realised if the supporting infrastructure is in place. Improving infrastructure is critical in increasing the mobility of services, goods and workers. Only if workers can move to where there is work available, workers can move their goods to the market place and Government-provided services can reach the people, will the rural sector be transformed.

Much of the economic growth of the country is rural driven. Because the majority of the people live in rural areas, in order to ensure that they benefit from growth is to provide the rural areas with opportunities for economic activity and higher levels of productivity. The 2009 Development Budget strategy aims to increase the income of the people in rural areas. The income of the people in rural areas will increase if the value of their assets increases – their land and their labour. Therefore the opportunities must exist to enable rural people to access markets, to increase their skills and to improve the productivity of the agricultural industry.

Furthermore social indicators, particularly in rural areas, are worrying. Health and education services must be improved to improve the quality of life in rural areas and to enable the people to be able to become productive participants in the country's development. Government must therefore put the necessary social infrastructure in place and strengthen service delivery mechanisms at the lower level.

Only once transport infrastructure effectively links up the country and the majority of people have access to basic education and health services, will the foundation be in place to start promoting more advanced development goals. Promoting the agriculture industry in the medium term will not only increase the incomes of people in rural areas, but also increase the potential for exporting, increase food security and provide a strong basis for the growth of other downstream processing industries with essential inputs. In this way the 2009 Development Budget lays the foundation for the proposed Long Term Development Strategy (2010-2030).

Therefore while the 2009 Development Budget Strategy still focuses on the seven EPAs it has a different prioritisation of the EPAs than previous Development Budgets in order to promote rural empowerment and sustainable transformation. This approach to achieving rural empowerment and transformation through the Development Budget is structured around three considerations:

1. How the Budget can be aligned with the MTDS;
2. How expenditure should be spread across the seven EPAs to maximise the social and economic returns; and
3. What relationship the Government wishes to form between its spending and that of its Development Partners.

### **6.2.1 Aligning the Budget with the MTDS**

The effective implementation of the MTDS in the 2009 Development Budget requires that the proportion of the Budget allocated to the MTDS increases every year. A target has been set to increase MTDS alignment of all GoPNG expenditure (i.e. direct financing, tax credit and loans) from 48 per cent in 2005 to 55 per cent by 2010, when the current MTDS expires. For 2008, the alignment figure was 55.5 per cent and the target for 2009 is to at least maintain this figure.

A separate target is set for development expenditure. In 2008, 82.7 percent of the Development Budget was allocated to MTDS priority areas and the target set for 2009 was to at least maintain this level of alignment.

The achievement of these targets requires Government to eliminate the funding of non-essential expenditure items and switch resources towards its seven priority areas. However, in the 2009 Development Budget only 73.6 percent of GoPNG financing is aligned. This is due to high

spending on non-MTDS priority areas, in particular general government administration and other government services such as housing, office complexes and sewerage.

The effective implementation of the MTDS also requires that new and innovative approaches and strategies are adopted to achieve the targets of the MTDS. The 2009 Development Budget contains several new and innovative strategies to improve the delivery of services under the MTDS. One example of this is the support for Churches to help the Government provide basic education and health services. The Government recognised that Churches have established networks where Government presence is minimal. In October 2008 the Government signed the Church State Partnership, through which the Government and the Churches establish their mutual commitment to work together to meet common challenges and to improve the quality of life for all people of Papua New Guinea. The Social Development Program which is allocated K30 million in the 2009 Development Budget is aimed at translating this commitment into greater access to basic health and education services, which is likely to improve progress towards the national Millennium Development Goals, as stated in the MTDS. Another new approach trialled in the 2009 Development Budget is the civic action program, which will draw on the services of the PNG Defence Force to work on the Baiyer - Madang Road.

### 6.2.2 Balancing Spending Across the Expenditure Priority Areas

Government endeavours to spread development expenditure across the seven EPAs in accordance with its *Sequencing Principle*. This Principle strategises the timing of spending in the different priority areas and in doing so justifies the spending in one priority area prior to that in another, inclusive of all the EPAs. In this way the allocative efficiency of development expenditure is achieved and net development returns of the expenditure can be realised.

In practice, the Sequencing Principle considers:

- Spending in areas with the **greatest spillover effects** on to other expenditure areas. For example, expenditure in transport rehabilitation supports the promotion of income earning opportunities.
- Spending in areas to **reduce future cost** to Government and society. For example, promoting HIV/AIDS prevention to avoid the formidable cost associated with a country wide pandemic.
- Spending in areas where there is a **long lag between expenditure and outcomes**. For example, achieving a high level of education throughout the country will take time and therefore requires us to begin investing now.

Incorporating each of the three sequencing considerations above generates an order for prioritising development expenditure over the seven EPAs. However, in contrast to the 2008 Development Budget, the 2009 Development Budget places the greatest emphasis on spillover effects. Transport infrastructure is considered the catalyst to development, because the delivery of other social services and promoting economic opportunities depends on it. The second priority is income earning opportunities, because the creation of wealth for people in rural areas will lead to rural empowerment. This will enable people to have money for school fees and create opportunities for those resorting to illegal activities, especially youth. On third priority are health services and basic education. Addressing health issues will in turn improve income earning opportunities. Tackling HIV/AIDS now is necessary to prevent large future costs to society and the economy. There is a long lag between expenditure on basic education and reaching a high level of education in the country, justifying education as a priority for current development spending.

### 6.2.3 Relationship between Government and Donor Expenditure

The Government seeks to ensure that the expenditure of Development Partners is aligned with the Government's priorities. In the past donor expenditure has been fragmented and Government has responded by encouraging Development Partners to imitate its own allocation across the different EPAs. However, the Government is moving towards a policy shift, whereby the Government takes strong leadership and ownership of development expenditure to ensure that donor expenditure is aligned to Government priorities and that development partners harmonise their projects and programs.

In July 2008 the PNG Commitment on Aid Effectiveness was signed between the Government and the heads of all eight development partners channelling resources through the Budget in PNG. This Commitment localised the Paris Declaration Principles to improve aid effectiveness. The principles include GoPNG Ownership; Alignment of development partners' programs and strategies to PNG's priorities; Harmonisation of development partners' strategies and the requirement that development partners use Government systems and processes; Managing for development results; and Mutual Accountability. The Commitment contains specific targets and indicators that must be met by 2012 for each of the above principles. For example these targets specify that by 2012, 85 per cent of development assistance grants must be allocated to the MTDS and other national and sectoral plans and that at least 50 per cent of aid flows must be channelled through GoPNG's financial management systems.

Furthermore, in August 2008 the PNG-Australia Partnership for Development was signed by the Prime Ministers of PNG and Australia in Niue. This Partnership committed PNG and Australia to work together to jointly improve indicators in five agreed priority areas: Health, Basic Education, Transport Infrastructure, Public Sector Capacity and Development Statistics. Specific schedules for these priority areas are currently being drafted. These agreements should allow Government and its major development partner to work together more effectively towards common goals. Further work will be undertaken in 2009 to ensure that aid effectiveness is improved and that development partners allocate their expenditure towards the Government's priorities. Issues that must be tackled include the avoidance of arbitrary funding arrangements and ensuring recurrent funding implications are considered when development partners fund capital expenditure projects.

### 6.2.4 Medium Term Resource Framework

The Medium Term Resource Framework (MTRF) is an expenditure tool to ensure that the Budget is aligned to the MTDS EPAs, that the sequencing principle is followed and that development partners funds are matched to Government's priorities, and therefore to its own allocation pattern. The MTRF assists GoPNG in achieving and managing an increased allocation of development expenditure towards the country's greatest priority needs by modelling the shape of future annual budgets and generating parameters which guide how appropriations can best be used.

The MTRF produces two important outputs:

- *Funding Gaps*, which provide a guide for the use of unallocated expenditure, based on a comparison of known future commitments to each EPA and the optimal affordable allocation to that EPA. These funding gaps refer to the total resource envelope – both GoPNG and donor – indicating the level of development expenditure that can be harnessed if GoPNG effectively coordinates all available funding. These funding gaps can assist donor expenditure planning (including the

negotiation of new Country Strategies), improve coordination between different funding parties and serve as an early warning system for funding shortfalls.

- *Indicative Sector Ceilings*, which set parameters for the optimal allocation of GoPNG's direct financing component of the Development Budget. Adherence to these parameters ensures that GoPNG meets its own target for the alignment of the Development Budget with the MTDS. Furthermore, the application of these ceilings provides a deliberate and rational shape to GoPNG spending patterns, avoiding a situation where individual items are deliberately funded but the overall picture is accidental or certain priority areas are neglected.

When the resource envelope is known in advance, the MTRF and its two outputs can play a valuable role in enhancing the quality of Development Budget appropriations. In 2010 efforts will be made to further integrate the central expenditure planning systems of the Recurrent and Development Budget to enable key service delivery agencies to better plan their sector expenditure.

### 6.3 DEVELOPMENT BUDGET 2009

The Development Budget consists of Donor and Government financing. The contribution of Government to the Development Budget comes in three forms: direct financing, Tax Credit Scheme and loans. Of a total of K2,595.2 million, 62.5% (K 1,620.9 million) comes from Government sources, and 37.5% (K974.3 million) comes from donors in the form of grants. Table 44 summarises the 2009 Development Budget and compares it to the 2008 Development Budget. The figure for grants is lower than in previous years due to the appreciation of the Kina while tax credits have decreased and concessional loans have significantly increased. The Government Direct Financing component of the 2009 Development Budget shows an historic increase from the 2008 Development Budget and also marks the first time since independence that the Government has committed more funds to development than donors have.

**Table 44: 2009 Development Budget compared to the 2008 Development Budget (Kina million)**

	2008		2009		Difference	Change
GoPNG Direct Financing	526.7	28.1%	1,385.9	53.4%	859.2	163.1%
Tax Credit	73.7	3.9%	40.0	1.5%	-33.7	-45.7%
Concessional Loans	163.0	8.7%	195.0	7.5%	32.0	19.6%
Donor Grants	1,111.2	59.3%	974.3	37.5%	-136.9	-12.3%
<b>Total</b>	<b>1874.6</b>	<b>100.0%</b>	<b>2,595.2</b>	<b>100.0%</b>	<b>720.6</b>	<b>38.4%</b>

Source: Department of National Planning and Monitoring

The GoPNG Direct Financing component contains a number of fixed commitments and other Government commitments, which are shown in Table 45 below:

**Table 45: Government Commitments (Kina million)**

Fixed Commitments:	Loan Counterpart	77.4
	Grant Counterpart	55.1
	Petroleum MOAs	65.5
	Mining MOAs	23.1
	SSGs	35.0
	DSGs	54.5
	<b>Sub-Total Fixed Commitments</b>	<b>310.6</b>
Other Commitments:	PDIP	20.0
	DSIP	356.0
	<b>Total Commitments</b>	<b>686.6</b>

Source: Department of National Planning and Monitoring

The District Service Improvement Program (DSIP) and Provincial Development Improvement Program (PDIP) substantially increase the Government's commitments compared to previous years. These commitments are in line with the Government's aim to promote rural empowerment and channel resources into the districts and provinces. After accounting for the Government commitments of K686.6 million (K310.6 million fixed commitments, K356 million DSIP and K20 million PDIP), only K699.3 million GoPNG Direct Financing remained to be allocated for both new and ongoing projects. Total Government Commitments account for almost half of Government Direct Financing (49.5%). A significant change in the 2009 Development Budget from the previous Development Budget is the large number of new projects funded relative to ongoing projects. Whereas the 2008 Development Budget allocated 99.1% and 0.9% of GoPNG Direct Financing to ongoing and new projects respectively, the 2009 Development Budget allocates 65.3% and 34.7% of GoPNG Direct Financing to ongoing and new projects respectively.

The 2009 Development Budget allocated funding to a number of major impact projects, shown in Table 46. The DSIP, Provincial Roads Program and the NADP all channel resources into rural areas in line with the aim to promote rural empowerment and transformation. Several high impact projects target the promotion of income earning opportunities, including the Strategic District Markets Program, Development of Business Growth Centres, Fisheries Development Project and NADP.

**Table 46: GoPNG direct financed projects/programs over K10 million (KinaMillion)**

DSIP	356.0
Provincial Roads Program	110.7
National Agriculture Development Plan (NADP)	80.0
Waigani Office Redevelopment	50.0
National Bridges Maintenance Program	50.0
Marienberg College & Others	30.0
Social Development Program	30.0
Civic Action Program (Baiyer Madang Road)	20.2
National Stadium Construction	20.0
Strategic District Markets Program	20.0
Development of Business Growth Centres	20.0
NADP Credit Facility	20.0
PDIP	20.0

Fisheries Development Project	15.0
Coastal Vessels Program	13.0
<b>Total</b>	<b>854.9</b>

Source: Department of National Planning and Monitoring

### 6.3.1 Expenditure Priority Areas

As indicated in Table 47, K1,488.8 million (57 per cent) of the total Development Budget is directly targeted at the seven MTDS EPAs. Donors fund an estimated 29 per cent outside MTDS EPAs and GoPNG finances an estimated 51 per cent outside MTDS EPAs.

**Table 47: 2009 Development Expenditure (Kina Million)**

	Total GoPNG	Grants	Total
MTDS Expenditure Priority Areas	794.7	694.1	1,488.8
Other	826.2	280.4	1,106.6
<b>TOTAL</b>	<b>1,620.9</b>	<b>974.3</b>	<b>2,595.2</b>

Source: Department of National Planning and Monitoring

Table 48 shows Government's contribution by MTDS EPA. As can be seen from the table, the Tax Credit Scheme and loans are predominantly used for Transport Maintenance and Rehabilitation, whereas the Government's direct financing is targeted across the seven EPAs.

**Table 48: 2009 GoPNG Development Expenditure on MTDS Expenditure Priority Areas (Kina Million)**

	Direct Financing	Tax Credit	Loans	Total GoPNG
Primary and Preventive Health	39.6	0.0	0.0	54.6
HIV/AIDS Prevention	5.0	0.0	0.0	5.0
Basic Education	30.8	0.0	0.0	15.8
Dev-Oriented Adult Education	40.0	0.0	0.0	40.0
Transport Rehab and Maintenance	283.3	40.0	131.2	454.5
Income Earning Opportunities	209.8	0.0	5.0	214.8
Law and Justice	10.0	0.0	0.0	10.0
<b>Sub-Total</b>	<b>618.5</b>	<b>40.0</b>	<b>136.2</b>	<b>794.7</b>
Other	767.4	0.0	58.8	826.2
<b>TOTAL</b>	<b>1,385.9</b>	<b>40.0</b>	<b>195.0</b>	<b>1,620.9</b>

Source: Department of National Planning and Monitoring

As the focus of the expenditure sequencing strategy has changed, the distribution amongst the different EPAs has also changed. Table 49 below shows the level of direct financing to each of the seven EPAs in 2009 relative to funding in 2008.

**Table 49: 2009 versus 2008 GoPNG Development Expenditure Direct Financing on MTDS Expenditure Priority Areas (Kina Million)**

	2008	2009	Change	Change (%)
	GoPNG	GoPNG		
	Direct	Direct		
	Financing	Financing		
Primary and Preventive Health	34.8	39.6	4.8	13.8%
HIV/AIDS Prevention	17.0	5.0	-12.0	-70.6%
Basic Education	10.5	30.8	20.3	193.3%
Dev-Oriented Adult Education	3.3	40.0	36.7	1112.1%
Transport Rehab and Maintenance	148.0	283.3	135.3	91.4%
Income Earning Opportunities	38.4	209.8	171.4	446.4%
Law and Justice	31.0	10.0	-21.0	-67.7%
<b>Sub-Total</b>	<b>283.0</b>	<b>618.5</b>	<b>335.5</b>	<b>118.5%</b>
Other	243.7	767.4	523.7	214.9%
<b>TOTAL</b>	<b>526.7</b>	<b>1,385.9</b>	<b>859.2</b>	<b>163.1%</b>

Source: Department of National Planning and Monitoring

The amount of funding allocated outside the EPAs has increased in 2009 compared to 2008. In particular, in 2009 the funding on Other Government Services and General Government Administration is high. Within the category of government administration, many database projects are funded and several projects that support information required to plan for the MTDS priority areas. Other administrative costs involve institutional strengthening and capacity building. Other Government Services have escalated due to funding of housing developments in the Districts, and large projects such as sewerage projects and office complexes.

Other non-MTDS EPA expenditure is for constitutional grants (District Support Grants) and development grants (Special Support Grants (SSGs), Memorandum of Agreements (MoAs)<sup>1</sup> and the Bougainville Peace Agreement). It is estimated that the majority of both constitutional and development grants are ultimately expended on MTDS aligned projects and initiatives. Appropriations for development grants are lower in 2009 due to low petroleum MOAs because the short term focus of the Government is to fund the ongoing and outstanding Expenditure Implementation Committee (EIC) approved projects and because the EIC guidelines are not yet in place.

<sup>1</sup> MoAs are agreements between the National and Provincial Government and landowners specifying a list of projects, which the Government is obligated to fund as part of its commitment. Section 178 of the Oil and Gas Act establishes the Expenditure Implementation Committee, which is responsible for approving MoA project submissions for funding under the MoA appropriation.



**Table 50: 2009 GoPNG Development Expenditure Outside of MTDS  
Expenditure Priority Areas (Kina Million)**

	Direct Financing	Tax Credit	Loans	Total GoPNG
Governance Reform	15.4	0.0	0.0	15.4
General Government Administration	91.4	0.0	28.7	120.1
Aid Administration	0.0	0.0	0.0	0.0
Constitutional Grants	54.5	0.0	0.0	54.5
Development Grants	514.6	0.0	0.0	514.6
Other Government Services	91.5	0.0	30.1	121.6
<b>TOTAL</b>	<b>767.4</b>	<b>0.0</b>	<b>58.8</b>	<b>826.2</b>

Source: Department of National Planning and Monitoring

In all, 73.6% of GoPNG expenditure in the 2009 Development Budget is estimated as being MTDS aligned. This compares to GoPNG's target of 82.7%. Government direct financing outside of the EPAs is high due to Government development grants such as District Service Improvement Program (DSIP - K356 million) and the Provincial Development Improvement Program (PDIP – K20 million).

The ratio of GoPNG to donor expenditure has changed from 2008 to 2009. In 2009 the Government is the lead financier of three EPAs: Transport Maintenance and Rehabilitation, Adult Education and Income Earning Opportunities. Donors significantly dominate in the EPAs of HIV/AIDS, Law and Justice and Basic Education. Compared to 2008, 2009 development expenditure shows closer matching for health and Basic Education, due to an overall higher GoPNG component in the 2009 Development Budget and the Government taking an even stronger lead in Transport Rehabilitation and Maintenance.

**Table 51: 2009 GoPNG Development Expenditure Versus Donor Expenditure  
(Kina Million)**

	2009 GoPNG Development	2009 Donor Grants	2008 Ratio	2009 Ratio
Primary and Preventive Health	39.6	106.3	1:3	1:3
HIV/AIDS Prevention	5.0	71.2	1:5	1:14
Basic Education	30.8	144.8	1:16	1:5
Dev-Oriented Adult Education	40.0	5.8	∞	7:1
Transport Rehab and Maintenance	454.5	178.2	2:1	3:1
Income Earning Opportunities	214.8	91.9	1:3	2:1
Law and Justice	10.0	96.0	1:3	1:7
<b>TOTAL/AVERAGE</b>	<b>794.7</b>	<b>694.1</b>	<b>1:2</b>	<b>1:1</b>

Source: Department of National Planning and Monitoring

When account is also taken of recurrent and the additional priority expenditure, it can be seen that the Government is the lead financier in six out of the seven EPAs. It is envisaged that the trend towards greater Government leadership in terms of financing will coincide with the Government taking greater responsibility for service delivery in each of these priority areas.

**Table 52: 2009 GoPNG Total Expenditure Versus Donor Expenditure (Kina Million)**

	2009 GoPNG Recurrent & Development	2009 Donor Grants	2008 Ratio	2009 Ratio
Primary and Preventive Health	585.4	106.3	5:1	5:1
HIV/AIDS Prevention	10.9	71.2	1:4	1:7
Basic Education	680.6	144.8	4:1	5:1
Dev-Oriented Adult Education	55.8	5.8	-	10:1
Transport Rehab and Maintenance	576.1	178.2	3:1	3:1
Income Earning Opportunities	361.7	91.9	3:1	4:1
Law and Justice	418.5	96.0	5:1	4:1
<b>TOTAL/AVERAGE</b>	<b>2,689.1</b>	<b>694.1</b>	<b>4:1</b>	<b>4:1</b>

Source: Department of National Planning and Monitoring

## 6.4 MONITORING DEVELOPMENT

Since 2007, the Government has come up with various initiatives to improve the monitoring of development progress:

- The MTDS Performance Management Framework (PMF) monitors progress in the MTDS priority areas;
- PNGInfo will contain data on the progress towards the Millennium Development Goals (MDGs); and
- The Results Based Monitoring System will monitor the projects and programs under the Public Investment Program (PIP).

### 6.4.1 MTDS Performance Management Framework

The MTDS Performance Management Framework (PMF) is a tool intended to track the country's rate of development in 13 MTDS PMF sectors. The two main outputs of the MTDS PMF are:

- A *Database* which contains each of the key performance indicators; and
- An annual report, or *Pocketbook*, which reports and interprets the performance of those indicators and assesses broader trends emerging from the data.

The first edition of the MTDS PMF Pocketbook was published in 2007 and has been made available to a wide audience, including Government Agencies, Development Partners and civil society.

The scorecard shown on the right provides a sector assessment for each of

MTDS PMF Sector	Trend	Latest Performance
Primary and Preventative Health	-2	2
HIV/AIDS Prevention	1	3
Basic Education	2	0
Development Oriented Adult Education	0	5
Transport Maintenance and Rehabilitation	2	4
Income Earning Opportunities	1	2
Law and Justice	-2	-1
Gender	1	1
Environment	2	4
Macroeconomy	5	3
Governance	-3	0
Public Expenditure Management	3	2
Public Sector Reform	1	-1
<b>Average</b>	<b>1</b>	<b>2</b>

the 13 MTDS sectors. There are two aggregated grades for each sector – the trend (assessment over the period 2001 to present) and the latest performance (assessment of latest available data). A positive score (between 1 and 5) indicates that development is taking place, with the majority of sector indicators showing signs of improvement. A negative score (between –1 and –5) indicates that the sector is in decline, with more signs of deterioration than improvement.

The 2007 PMF showed a slight improvement in the aggregate latest performance of sectors and encouragingly, the 2008 PMF again shows an improvement of the latest indicators. However, within this aggregate score, some areas have been in decline (e.g. Law and Justice and Governance) and some have halted their progress (Public Sector Reform). However, others have been consistently improving (e.g. Transport, Macroeconomy). It is important to note which areas within the sector have fared poorly, in order to target those specific areas.

Improving the indicators and the quality of data is crucial to improving the assessment that the PMF provides. Although the PMF does not claim to provide a robust analysis of MTDS implementation, the data and analysis it contains has been commended by various stakeholders and provides an accessible avenue to gain an overview of progress in the MTDS priority areas.

#### **6.4.2 PNGInfo**

A recurring problem in PNG has been the provision of the required secondary data for analysis and for monitoring frameworks. There are weaknesses in reporting, compiling and sharing data. To address these problems and improve on monitoring development, the Government has adopted the DevInfo (Development Information) System. DevInfo is a globally used database management system for the Millennium Development Goals (MDGs), but the data it stores can be used for purposes other than monitoring the MDGs. In 2008, the Government commenced work on PNGInfo, a customized version of DevInfo, for which collaboration among the relevant departments has commenced. PNGInfo will contain secondary data from reliable sources and publications on the MDGs and other development indicators for access by all. In the future, it is envisaged that PNGInfo could capture data at District levels too.

#### **6.4.3 Results-Based Monitoring System**

In 2009 the Government will introduce a *Results-Based Monitoring System* to make the Public Investment Program more outcome-oriented. It will also serve to improve development reporting and accountability as well as improve targeting of development resources to areas where PNG's development indicators are weakest.

### **6.5 FUTURE DEVELOPMENT BUDGETS AND STRATEGIES**

It is a tremendous challenge to ensure that resources are used in line with MTDS priority areas, and crucially, that these resources are utilized productively to impact development outcomes. Allocation of resources to MTDS priority areas – and even adherence to the Sequencing Principle to improve allocative efficiency is necessary, but not sufficient, to ensure that development objectives outlined in development strategies are met. The quality of the selection of projects or programs and service delivery mechanisms are crucial in ensuring that development indicators improve.

Monitoring the impact of the Development Budget is a complex task, due to the various funding sources that all contribute towards development outcomes. It is currently not

possible to determine how far the Development Budgets since 2005 have impacted development indicators. Problems in data monitoring and coordination complicate this task. However, the MTDS Review, which will be published in 2009, should provide some indications of the effectiveness of the MTDS implementation and guidance for the formulation of the next MTDS (2010-2015).

Despite the complexities in evaluating the MTDS, it is evident that minimal progress has been made in the priority areas of the MTDS since its implementation. This lack of progress comes despite significant funding of the Development Budget from generous foreign aid and recent windfall Government revenues. Furthermore recent data shows the lack of progress of social indicators and even a worsening of some indicators over the past decade. In addition, even where some development progress has been made at the national level, provincial development indicators show large disparities that have not been addressed. This calls for drastic reforms in the way the Development Budget is being implemented to attain development results.

The new reforms, which will be aimed at reinvigorating the systems, processes, and institutions to effectively implement future Development budgets will include:

- Implementing a Long Term Development Strategy;
- Strengthening Institutional Capacity to Deliver Services; and
- Improving the Credibility and Rationale of Development Planning.

### **6.5.1 Long Term Development Strategy**

A *Long Term Development Strategy* (LTDS) is at present in draft form and will be finalized in 2009 to address the above concerns. The LTDS will then be formulated by the mandated Government Agency. It will provide the overarching policy oversight and guidance for all development agendas and sectoral strategies. Starting in 2010, it will encompass successive five-year Medium Term Development Plans. The LTDS will be guided by a Public Investment Strategy and include a national plan for infrastructure development and for other important development programs and initiatives (e.g. the proposed private sector export growth strategy focusing on Small Medium Enterprises; HIV/AIDS and population programs). Other national development policies that are currently being undertaken will assist in the implementation of the LTDS (e.g. the proposed Public Private Partnership Policy and commitments to enhance development cooperation such as the *PNG Commitment on Aid Effectiveness* and the *Accra Agenda for Action*).

### **6.5.2 Strengthening Institutional Capacity to Deliver Services**

To effectively implement the LTDS, legislative and institutional reforms will be established. These reforms will include a National Planning Act, to establish an optimal, feasible and consistent planning system that integrates bottom up and top down planning processes. This will standardise policy process and improve service delivery at the lower levels. Furthermore, the Government is looking at putting in place an Aid Information Management System (AIMS) in 2009 to better track donor financing. These initiatives will enable the Government's planning systems to become more output oriented.

### **6.5.3 Improving the Credibility and Rationale of Development Planning**

The challenge to improve the country's development and ensure that essential services are available to the whole population, even those living in remote areas, is a formidable task. To be effective and credibly succeed in this task the Government must ensure that:

- Monitoring and evaluation on development progress is strong and guides development planning;
- Maintenance requirements of new infrastructure will be funded, rather than infrastructure being neglected and rehabilitated at greater cost or new infrastructure funded, which cannot be maintained;
- Development targets and goals are realistic given projections of Government revenue and costings;
- Geographical distribution of benefits is considered based on the needs of the population and linkages in the economy; and
- Capacity of the public service is improved.

To address these critical issues, the proposed LTDS will seek to:

- Provide increased resources for data collection, coordination and analysis and ensure agencies and departments report their data;
- Better identify revenue sources and recurrent and development expenditure through a Public Investment Strategy and improve maintenance of assets through an Asset Maintenance Policy;
- Ensure that there is a rational economic basis for all targets and goals in each sector and establish the cost of providing services;
- Consider equity in the distribution of resources and linkages in the economy by undertaking a spatial planning approach; and
- Focus on human resource management in all sectors.