

Chapter 6

Performance benchmarks, accountability and research

Introduction

6.1 This chapter will address terms of reference (g) and (h) and examines the issues raised in relation to benchmarks, accountability and research.

6.2 In June 2014, DFAT released a new performance framework for the Australian aid program titled *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*. A key principle underlying this performance framework was 'that funding at all levels of the aid program will be linked to progress against a rigorous set of targets and performance benchmarks'. *Making Performance Count* set out a number of high-level strategic targets to assess the aid program against key goals and priorities. These included:

- Delivering on commitments: From July 2015, progress against mutual obligations agreed between Australia and its key partner governments and organisations will form part of program performance assessments;
- Working with the most effective partners: By July 2015, design and apply new systems to assess the performance of the aid program's key delivery partners and ensure stronger links between performance and funding;
- Ensuring value-for-money: Deliver high standards of value-for-money in at least 85 per cent of aid investments. Where standards are not met and improvements are not achieved within a year, investments will be cancelled; and
- Combatting corruption: Develop and implement new fraud control and anti-corruption strategies for all major country and regional programs by July 2015.¹

6.3 In the context of PNG, DFAT's aid performance report for PNG in 2014-15 identified a need for 'better defined performance benchmarks for Australia's contribution to many sectors'. It also noted that the availability of timely and accurate data sets upon which to base an assessment of progress against benchmarks 'remains a challenge'.²

6.4 The *Aid Investment Plan* for PNG proposed 'a number of performance benchmarks be used to assess progress towards the strategic objectives of the Aid Investment Plan'. Progress against these benchmarks would be reported in the annual performance report for the PNG aid program. The performance benchmarks contained in the *Aid Investment Plan* are narrow and specific in relation to the outcomes. For

1 DFAT, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, June 2014, pp 6-11.

2 DFAT, *Aid Program Performance Report 2014-15*, p. 3.

example, in 'Outcome 3.2: The quality of key services in health and HIV/AIDS are improved' the performance benchmark is 'Number of additional births attended by a skilled birth attendant'. The target for 2015-16 is 9,250.

6.5 The *Aid Investment Plan* also proposed that Australia and PNG agree to a set of mutual obligations for the aid program. These mutual obligations were largely confirmed in the *PNG-Australian Aid Partnership Arrangement 2016-17*. In particular, this included a mutual obligation to continue to implement the *Joint Understanding between Australia and Papua New Guinea on further bilateral cooperation on health, education and law and order* (Joint Understanding). The Joint Understanding included obligations for PNG to fund 50 per cent of the redevelopment of the Lae Angua Hospital and funding its ongoing recurrent operational costs' and an undertaking to 'increase funding to expand and better equip and train the RPNGC'.³

Performance benchmarks

6.6 The value of performance benchmarks in the Australian aid program was repeatedly questioned. Dr Howes from the Development Policy Centre at ANU noted that this was the fifth effort in two decades to make performance benchmarks central to the program of Australian aid to PNG. He argued they were of limited utility. While benchmarks could provide useful information, they 'should not be expected to improve mutual accountability or influence the size of the aid program'. He stated:

For these benchmarks to influence aid performance, two conditions need to be met: the Australian government has to be ready to reduce or increase its amount of aid in response to performance; and the PNG government has to be ready to adjust its performance accordingly. There is no evidence at all that either of these pre-conditions hold.⁴

6.7 A key problem was that if benchmarks are not met in the aid program, this did not reveal whether the performance was bad or if the targets set were too high. This risk of potentially punishing good performances in challenging environments was also highlighted by others. For example, Dr Claxton and Mr Jennings from ASPI stated:

But while positive results can be usefully incentivised, we'd caution that where key national interests are at stake, benchmarks should be strategic ones (such as those measured in the latest PNG Aid Program Performance Report) and assessed strategically. It could be strongly against our interest to penalise poor performance in important projects on tactical rather than high level criteria. And where really crucial interests are at stake, it could be more appropriate to redouble than withdraw support when we're expectations aren't being met.⁵

6.8 This issue was seen as especially relevant to PNG, where the conditions made it difficult to undertake development assistance projects and to demonstrate that these projects have had an impact. World Vision advised that the 'Australian Government

3 *PNG-Australian Aid Partnership Arrangement 2016-17*, p. 4.

4 *Submission 42*, p. 27.

5 *Submission 17*, p. 4.

must recognise the complexities present in PNG as well as their impact on the visibility of progress'.⁶ The Lowy Institute cautioned that 'Australian aid cannot address all development challenges in [PNG]'. It encouraged a realistic approach:

In the delivery of a very large aid program there are likely to be some poor decisions made or some failures of implementation. But this does not mean that Australian aid has not been useful. Australian expenditure in the health sector in Papua New Guinea has saved lives.⁷

6.9 The OECD DAC observed that 'accountability for results needs to be addressed at two levels: accountability to the partner country and accountability at home to show that public funds achieve results'. It stated:

Australia, like other DAC members, needs to get the right balance in its performance system so that results information is (i) useful for improving the quality and impact of development co-operation and (ii) it enables the donor to communicate credibly about the long-term development results Australian aid is achieving.⁸

6.10 A variety of views were expressed in relation to how benchmarks could be framed. For example, ChildFund Australia recommended that the Australian aid program 'apply benchmarks that do not rely on generalised economic growth, but inclusive growth... benchmarks which ensure that our aid targets the poorest 40 per cent of people in middle and low income countries'.⁹ Jubilee Australia argued that the '[t]argets established to assess aid outcomes should be developed against locally-derived criteria documenting the aspirations of local communities in PNG'. While World Vision considered that there should be a focus on outcomes rather than outputs:

[I]n addition to an outcomes-focus, there must also be an understanding of the long-term nature of sustainable outcomes, particularly in relation to deeply embedded social and cultural issues such as gender norms which underpin persistent inequalities and acts of violence against women and girls. Targets pertaining to social change initiatives must retain a level of flexibility that reflects the long-term yet critical and foundational nature of this work.¹⁰

6.11 The National Research Institute argued for benchmarks more closely aligned with the priorities of the PNG Government:

For Australian Aid to be effective in its delivery, it must develop internal systems for ranking initiatives according to the progress that would be made against the targets laid down in the PNGDSP and MTDP. In this way, Australian Aid would transparently be directing funding to the development and wellbeing of PNG in accordance with the priorities of [the PNG

6 *Submission 32*, p. 12.

7 *Submission 14*, p. 1.

8 *Submission 6*, p. 5.

9 *Submission 16*, p. 1.

10 *Submission 32*, p.

Government]. Such an approach for Australian Aid would be a radical departure from the existing consultancy based support for public administration.¹¹

Monitoring and evaluation

6.12 While performance benchmarks were considered to be limited in their usefulness, the monitoring and evaluation of projects and data collection activities were highlighted as valuable in effectively directing resources. ACFID noted that the 2014 report on Australian aid had found that 'while monitoring and evaluation across programs in the Pacific was below the global average, the situation in PNG was far worse where less than 50 per cent of investments had satisfactory monitoring and evaluation arrangements'. It recommended a stronger focus on 'capability building in monitoring, evaluation and learning across the PNG program'.¹² Similarly, the Burnet Institute perceived a need for dedicated resources to strengthen the capacity for monitoring and evaluation in PNG. In particular, it considered that all monitoring and evaluation frameworks for Australian funded activities in PNG include equity indicators.¹³

6.13 The practical value of monitoring and evaluation activities were outlined by several organisations which deliver aid to PNG. For example, ACIAR highlighted its use of impact assessments and adoption studies to ensure it 'actively measures its effectiveness, learns from experience, and adjusts or cancels projects that are not achieving results':

ACIAR's impact assessment program is devoted to provide independent assessment of the performance of ACIAR's investments...ACIAR has made a practice of revisiting a sample of past projects some time after their completion, and now has a series of adoption studies that spans the past decade. ACIAR commissions specialists to undertake assessments 3–4 years after a large project is completed to determine the level of uptake of the findings and gauge the extent of the project's legacy.¹⁴

6.14 Vision2020 illustrated the issues that uncertainty in benchmarks and data collection could create. It outlined that there was a lack of data consistency between members of the PNG National Prevention of Blindness Committee including continuing disagreement amongst NGOs regarding definitions for collection criteria (for example, the age range for who constitutes a child is disputed). It stated:

Development of a consistent and user friendly data collection and management system would make considerable progress towards improving accountability of eye health and vision care in PNG. Support for a simple monitoring and evaluation (M&E) system that is driven by and universal to all eye health stakeholders (including public, private sector, civil society

11 *Submission 5*, p. 13.

12 *Submission 22*, p. 21.

13 *Submission 10*, p. 3.

14 *Submission 8*, p. 18.

and churches) would result in increased accountability across the sector and the ability of the sector to respond to evidence based demand.¹⁵

Mutual accountability

6.15 While mutual accountability or mutual obligations are a key part of the *PNG-Australia Aid Partnership Arrangement* and an increased focus of the Australian Government, this aspect of the aid relationship with PNG did not receive significant attention during the inquiry. One organisation which did provide commentary was Save the Children. It argued that:

[M]utual accountability should focus on delivering improvements to service delivery. That is, using our aid investment to help create the right incentives and other conditions to ensure the PNG Government uses its own resources more effectively and efficiently.¹⁶

6.16 The challenges of setting mutual obligations were illustrated during the inquiry. Under the *Joint Understanding* Australia would provide \$420 million of assistance including funding to support the master plan and scope of works for the redevelopment of the Lae ANGAU Hospital, funding 50 per cent of the capital costs associated with redevelopment and contributing to the costs of senior management personnel. In return, the PNG Government would meet 'its commitment to fund 50 per cent of the redevelopment of the Lae ANGAU Hospital and funding its ongoing recurrent operational costs'. However, there does not appear to be any subsequent announcement regarding PNG Government funding for the project and media reports have suggested that the PNG Government was pressing Australia to commence further work on the project before its financing was confirmed.¹⁷

Fraud and corruption

6.17 While ineffective governance was highlighted as a major impediment to development in PNG, fraud and corruption was also raised as a related obstacle. PNG ranked 139th of 168 countries on Transparency International's Corruption Perceptions Index 2015.¹⁸ Transparency International PNG has observed that:

PNG has some of the best rules and laws in the world, but the biggest problem continues to be the lack of enforcement of the law. There is little or no accountability for those who fail to follow the rule of law in dealing with state assets and decisions. The legal loopholes and an apparent lack of

15 *Submission 21*, p. 5.

16 *Submission 41*, p. 3.

17 For example, DFAT, *Implementation of Joint Understanding*, March 2016 and Daniel Flitton, 'Doubts over \$400 million centrepiece of Australia's Pacific Solution', *Sydney Morning Herald*, 18 April 2016.

18 Transparency International, *Corruption by Country/Territory*, available at https://www.transparency.org/country/%20-%20PNG#PNG_DataResearch (accessed 15 April 2016).

political will facilitate domestic and cross-border corruption with offenders enjoying scandalous levels of impunity.¹⁹

6.18 Many submissions argued that the Australian Government needed to do more to address the incidence of fraud and corruption in PNG. The Reef and Rainforest Research Centre stated that a '[s]trong emphasis on investigating and addressing corruption in the use of Australia Aid funds is essential to improving delivery'. In its experience from operating in Western Province was that corruption at a political and bureaucratic level was 'the single largest obstacle to socioeconomic development'. The International State Crime Initiative also argued that the provision of aid to PNG must 'take into account the profound impact state/corporate criminality has on security, economic participation, human rights and resource management'.²⁰

6.19 The joint submission from *PNG Attitude* urged that 'Australia should not shirk its responsibility to harness its aid program to PNG to honest, efficient and accountable governance':

Tackling corruption is urgent and should not be ignored by the Australian Government, no matter what the diplomatic intricacies may be. Australia should make the establishment of an independent and effective Independent Commission Against Corruption or similar entity a pre-condition for granting aid.²¹

6.20 Worryingly, there were indications that misappropriated Australian aid money was flowing back into Australia. For example, the Pacific Future Foundation outlined its concerns that 'current foreign aid given to PNG has assisted in contributing to a system with endemic corruption':

During a number of conversations with ex-pat Australians it became apparent that it is general knowledge amongst this community that Australian Aid money does not reach its intended targets and when it does only [paltry] amounts reach the people in need. The consensus amongst the people we met was that at least half the aid funding returns to Australia via Cairns where senior PNG government officials now own a significant number of residential properties. They have observed that aid money is accessed to spend on travel to and from Cairns for the lifestyle offered away from the rigours of Port Moresby.²²

6.21 Save the Children pointed to corruption as a key reason economic growth has not translated into large-scale poverty reduction in PNG. It stated that while stemming corruption in the aid program is important, 'the big ticket item is combatting corruption in PNG's broader public and private financial flows so that resources are available for public services'. Save the Children recommended the Australian Government '[a]dopt and publically report measures to tackle the benefits of PNG

19 Transparency International PNG, *Annual Report 2014*, p. 7.

20 *Submission 27*, p. 3.

21 *Submission 1*, p. 5.

22 *Submission 30*, pp 1-2.

corruption from being exploited within Australia including use of financial and diplomatic instruments and support for Australian anti-corruption agencies to investigate PNG investments'.²³

6.22 The *PNG-Australia Aid Arrangement 2016-17* reaffirmed that both governments agreed to 'maintain their zero tolerance commitment to fraud in Australia's aid program'.²⁴ This commitment was illustrated during an incident in 2013, when Australia ceased funding the procurement and distribution of medical supplies in PNG resulting from a compromised tender process.²⁵ Mr Mat Kimberley from DFAT told the committee the Australian Government took the decision because of a 'questionable' procurement process.²⁶

6.23 DFAT noted:

Australia has also prioritised programs that aim to combat corruption in PNG, including by supporting PNG's investigation and prosecution capacities. This is assisted through the placement of SGP advisers in the PNG Office of the Public Prosecutor (OPP), and AFP advisory support to the RPNGC Fraud and Anti-Corruption Directorate.

We are supporting PNG's efforts to establish an Independent Commission Against Corruption and to improve its compliance with international anti-money-laundering and counter-terrorism financing standards.²⁷

6.24 In particular, Australian Attorney-General's Department (AGD)/Australian Transaction Reports and Analysis Centre (AUSTRAC) Combating Corruption project assists Papua New Guinea (PNG) in preventing and combating corruption by strengthening its financial system against money laundering, corrupt activity and terrorism financing.

Research and learning from aid programs overseas

6.25 There was support for 'the general principle that Australia should be constantly seeking to adopt methodologies and techniques of aid delivery that have been shown to be efficacious in other jurisdictions'.²⁸ However, many submitters argued that the situation in PNG was so different that lessons from successful aid programs in other countries would not have significant value. For example, Ms Crawford from IWDA described the conditions in PNG as so unique that she counselled against the concept that Australia could 'import specific learnings from elsewhere'.²⁹

23 *Submission 41*, p. 19.

24 *PNG-Australia Aid Partnership Arrangement 2016-17*, p. 5.

25 *Submission 41*, p. 17.

26 *Committee Hansard*, 27 November 2015, p. 22.

27 *Submission 26*, p. 28.

28 PNG Attitude, *Submission 1*, p. 7.

29 *Committee Hansard*, 21 September 2015, p. 14.

6.26 World Vision gave examples of successful programs in other countries which could be applicable to PNG. These included working with communities in Mozambique to define optimal governance structures and approaches to translate mining benefits to community driven outcomes and success of the Timor Leste National Malaria Control Programme. However, it also cautioned:

PNG presents significantly different development challenges and is unlike any other setting. Any successes or lessons derived from the delivery of aid programs elsewhere will therefore require significant contextualisation for the Papua New Guinean setting, including the participation of communities to ensure the applicability and appropriateness of new initiatives.³⁰

6.27 A number of other potentially applicable programs were suggested. Family Planning NSW highlighted two programs developed in other countries which could be implemented in PNG.

PNG has unacceptably high rates of cervical cancer incidence and mortality. Cervical cancer screening saves women's lives, however it is not routinely available in PNG. We have piloted and developed a successful and sustainable, low resource cervical cancer screening and treatment program in Fiji using VIA (visual inspection with acetic acid and cryotherapy) that could save the lives of many women in PNG, if the program and capacity building training in the method were further implemented there...Similarly, we have implemented an access to contraception program in Vanuatu that could lead to reduced teenage and unintended pregnancies in PNG, if also implemented there.³¹

6.28 The Burnet Institute recommended that 'DFAT should undertake a mapping of successful health care initiatives in low and middle-income countries in the Asia Pacific region to identify opportunities to share experiences with government and civil society health officials in PNG. In particular, it highlighted there were potential lessons to be learned from health development progress in the northern provinces of Laos and Nepal. It was also recommended that 'DFAT should look to develop a mechanism for aggregating and sharing lessons across sectors and from prior aid programs in PNG'.³²

6.29 Areas of future research were also identified. For example, Coffey highlighted that in the international development sector, discussions were underway regarding how mobile phones can provide enhanced and beneficial services to people living in isolated, poor and disadvantaged communities. It argued it would be important for the Australian Government to continue to support ongoing research to help aid practitioners understand the opportunities and also the limitations of incorporating portable, digital technologies into program design and delivery.³³

30 *Submission 32*, p. 12.

31 *Submission 18*, p. 5.

32 *Submission 10*, p. 3.

33 *Submission 24*, p. 9.

6.30 ACIAR noted that its support to PNG is 'both bilateral (between Australian and PNG research and policy institutions) and regional (between Australia, PNG and other countries, generally other Pacific island countries)':

Outcomes in PNG and other Pacific island countries are enhanced by the sharing of experiences from successful projects through several mechanisms, including cross-program teams, thematic workshops, technical reports and publications, impact assessments, and regional engagements with [the Secretariat of the Pacific Community].³⁴

6.31 Dr Austin from ACIAR outlined that the agency had supported more than 180 research projects in PNG over the last three decades, including 37 active projects.³⁵

6.32 Ensuring research findings were taken into account in subsequent policy making was also highlighted. An example provided by the CSIRO illustrated this issue. Between 2011 and 2014, the Australian Fisheries Management Authority and the PNG National Fisheries Authority funded CSIRO to investigate the status of small-scale fisheries, livelihoods and food security in the Papua New Guinea villages bordering the Torres Strait of Australia. One of the findings of the research was that poaching pressure in Australian waters will increase as Treaty villages' resources are depleted. The CSIRO noted:

The results triggered a one-off PNG Treaty Villages Sustainable Development Workshop at the October 2014 Treaty meetings to discuss the declining situation and investigate remedies. This involved Australian and PNG government and community stakeholders, and was convened by CSIRO, DFAT and the PNG National Fisheries Authority. A good governance framework provided by the Treaty meeting cycle helped the integration of the research results into policy.³⁶

6.33 Mr Schaefer from Save the Children stated:

[B]etter data is key to improving the supply of services and the demand for them. Better data is key to the measurement of the effectiveness of aid programs. We encourage the Australian government and the PNG government to build datasets in Papua New Guinea that can lead to improved service delivery.³⁷

6.34 DFAT stated that it had many systems and processes 'to ensure important lessons from other countries are captured and integrated into the aid program in PNG'. In particular, the Pacific Division contains the Pacific Analytical and Effectiveness Branch, which includes the Pacific Strategy and Performance, Quality and Risk Sections. It outlined:

Through these teams, data and lessons learned from regional programs and Pacific bilateral programs are captured and shared within the

34 *Submission 8*, p. 19.

35 *Committee Hansard*, 21 September 2015, p. 3.

36 *Submission 47*, p. 10.

37 *Committee Hansard*, 27 November 2015, p. 7.

Division...DFAT's organisational structure also includes thematic teams that work across major sectors, and act as a key conduit for the exchange of lessons across Australia's various aid investments within DFAT and for implementing partners.³⁸

Committee view and recommendations

6.35 The committee shares the view that performance benchmarks have limited utility in the context of the PNG aid program. In situations where the achievement of development outcomes is expected to take decades, annual performance benchmarks are unlikely to be an effective mechanism to significantly change behaviour or improve program performance. The benchmarks contained in the *Aid Performance Plan* are narrow, however they provide detailed targets and indicators to track progress in those specific areas listed. In the view of the committee, this appears to be a realistic and pragmatic approach.

6.36 The committee urges the Australian Government to continue its support to PNG, through the Attorney-General's Department, AUSTRAC and the Australian Federal Police, to combat fraud, corruption and money laundering. These agencies should also focus attention on corrupt activities in PNG with relevance to Australia. Last year the risk of money laundering from PNG to Australia was again highlighted in media reports.³⁹ This conduct is a critical reputational risk to Australia's aid program to PNG. Public support for the Australian aid program to PNG could be damaged if aid funding is perceived as being misappropriated. Corrupt conduct which involves the transfer of funds to Australia also reduces the capacity of the PNG Government to deliver services to its people.

Recommendation 17

6.37 The committee recommends the Australian Government target illegal activities undertaken in Australia which are linked to corruption in Papua New Guinea.

6.38 The unique conditions and circumstances in PNG means that caution must be applied when examining the suitability of transferring aid programs used in other countries. For the committee, this highlights the need for better research into development issues in PNG. A better understanding of what works and what doesn't in PNG will assist the Australian aid program. To some extent this is already occurring. The committee has been impressed by the insights provided by the research programs in PNG undertaken by the CSIRO and ACIAR and the analysis provided by the PNG National Research Institute and the Development Policy Centre through the Promoting Effective Public Expenditure project. The key challenge appears to be in translating the findings of this PNG-specific development research into the reform of the Australian aid program to PNG.

38 *Submission 26*, p. 57.

39 SBS, *Dirty Money: How corrupt PNG cash is reaching Australia*, 23 June 2015, available at <http://www.sbs.com.au/news/dateline/story/dirty-money-how-corrupt-png-cash-reaching-australia> (accessed 18 April 2016).

6.39 The committee notes that PNG is listed as 'considering partnership' with the 'Better data for health partnership' project of DFAT's innovationXchange and Bloomberg Philanthropies. The committee hopes this occurs as the PNG health system and the Australia aid program would benefit from one of the key aims for the project 'to strategically use public health data to inform policy priorities'.⁴⁰

Recommendation 18

6.40 The committee recommends that the Australian Government:

- **continue to support research activities which promote the effectiveness of the aid program to Papua New Guinea; and**
- **ensure that this research is considered in decisions made regarding the aid program to Papua New Guinea.**

Senator Alex Gallacher
Chair

40 DFAT, *Better data for health partnership*, available at <https://innovationxchange.dfat.gov.au/project/better-data-health-partnership> (accessed 29 April 2016)

