

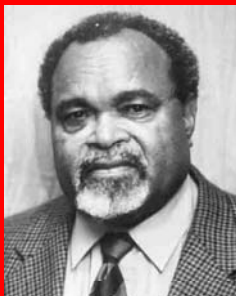


**GOVERNMENT OF THE
INDEPENDENT STATE OF
PAPUA NEW GUINEA**

A Strategic Plan for Supporting
Public Sector Reform in
Papua New Guinea
2003 – 2007

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The Plan provides a revised and updated set of strategies.

Prime Minister's Introductory Statement

I welcome the preparation of a Strategic Plan for use in supporting the development and implementation of public sector reform in Papua New Guinea. The Plan provides a revised and updated set of strategies for implementing the reforms that will support the Government's strategy for recovery and development and forms an integral part of the Government's Medium Term Development Strategy for 2003-2007.

Since my Government took Office in 2002 we have worked hard to re-design, reinvigorate and advance the public sector reform agenda. On taking office we found that progress had been made on many aspects of the reform program initiated by the previous Government. However, in light of a massive deterioration in the Government's budget, we felt it was essential to reframe and to more sharply focus what had, by then, proved to be an overly ambitious reform agenda. We therefore made the hard budget decisions that were needed to start building a government that was affordable. More recently, we have focused on legislative changes for introducing merit appointments for senior public servants and making improvements to the performance management framework for the public sector.

While public sector reform is already happening, there is no hiding from the fact that our public sector faces considerable challenges. It urgently needs to transform itself. It is finding, both at a national and provincial level, that it is more and more difficult to provide basic government services. It is struggling to establish the necessary policy frameworks that will both ensure economic growth through an export-led recovery and alleviate poverty. While change is never easy, it is clear that we no longer have any choice. We cannot afford to have a poorly focused inefficient public sector that resists improvements. We can no longer afford to tolerate high levels of corruption and unlawful behaviour.

If we allow ourselves to continue in this way, we are all undermining Papua New Guinea's future as a modern nation. I therefore call on public servants, my fellow Parliamentarians and all others who have a stake in improving the public sector to lend their active support to my Government's public sector reform program.

The primary responsibility for implementing reform lies with each of the departments, agencies and provincial administrations in the public sector.

This Plan belongs to all those who work in Government. The driving force behind the Plan on behalf of my Government is the Central Agencies Coordinating Committee (CACC). They are responsible for coordinating and managing overall progress.

The primary responsibility for implementing reform lies with each of the departments, agencies and provincial administrations in the public sector. I therefore expect each organization head to play an active and constructive role in the public sector reform process.

Sir Michael Somare
Prime Minister
November 2003

The Purpose of this Plan

Public Sector Reform and improvements to governance have been happening at many levels and in many ways.

A Strategic Plan for Supporting Public Sector Reform in PNG 2003-2007 identifies the actions required to achieve the objective of good governance, one of the three key objectives that support the Government's strategy for recovery and development. It is also intended to provide guidance for all parts of the public sector in developing their own work plans for reform.

Public sector reform and improvements to governance have been happening at many levels and in many ways:

- Reforms that improve political stability and political integrity.
- Reforms to provincial and local levels of Government.
- Reforms to delivery of education services.
- Reforms to banking and financial institutions.
- Programs at sector, agency, provincial and local levels to improve service and efficiency and reduce costs.
- Strengthening of central agencies to be more effective in leading and supporting whole of government functions.
- Improving accountability institutions such as the Ombudsman Commission and the Public Service Commission.
- Service wide reforms such as the Financial Management Improvement Program.
- Reforming the commercial activities of Government through commercialization and privatization.

We are all capable of making our organizations work better.

Unfortunately, there has been a perception that public sector reform is a job only for experts. This perception is wrong. All public servants are capable of making their organizations work better. The best way to make this process work is to build reform into each and every agency plan.

The Plan redefines the strategies that will help achieve the Government's objectives for public sector reform. How much better each agency can perform its work and deliver better quality services will be the measure of its success.

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The revision of the strategies has evolved after an extensive review of the existing directions and management of reform and achievements since 2000 and follows widespread discussion with stakeholders inside and outside the public sector about the pace, management and future direction needed.

Public sector reform is not a once-only event. It is an ongoing process that needs to be built into the plans of all agencies. A great deal has been achieved in a short time but there is still much work to be done. While the Plan covers the period 2003 to 2007, it will be reviewed and revised annually to ensure that strategies and reform activities remain relevant and workable.

The Need for Public Sector Reform

In his statement to the Parliament on the 2002 budget, *The Road to Recovery and Development*, Prime Minister Sir Michael Somare set a number of reform priorities. These were:

- Restoration of good governance through the Government's public sector reform program.
- An export led recovery through the development of the rural economy, particularly downstream processing and value-added activities.
- Poverty alleviation through creating jobs in the formal and informal business sectors.
- Restoration of business confidence.

Public sector reform is needed to help overcome the serious constraints that the nation has to cope with in responding to recovery and development:

Public sector reform is needed to help overcome the serious constraints that the nation has to cope with in responding to recovery and development.

- The **Government's budgetary situation** is critical, with debt servicing taking up a quarter of the total budget. A recent review of public expenditure identified the need to implement a framework to better prioritize and adjust expenditure against policy and planning objectives, make necessary savings and restore the integrity and reliability of the public finance management systems.
- Coordination of **planning and policy development** has improved under the CACC, but monitoring implementation needs strengthening, as there are still failures at agency level to effectively implement Government policies.
- **Coordination between, and the capacity of, central agencies** need strengthening. The Functional and Expenditure Reviews that were undertaken in central agencies need follow up so that the agencies are better focused on their core functions.
- The **public sector payroll** needs reduction from a level where it accounts for up to 80% of all agency costs, leaving insufficient funds to pay for supplies and to meet maintenance costs. There is an urgent need, in conjunction with the implementation of the new HR Payroll system,

to control the size of the public sector; to reduce the number of unattached public servants; to remove 'ghost' employees from the payroll; and to control the web of allowances that are received.

- Better **collection of revenue** that is due would help to reduce budget shortfalls. As well, new sources of revenue will be needed in the short term as royalties from mining decline.
- The level of **red tape** in the bureaucratic processes of government is said to be constraining business investment and adversely affecting service delivery. The Government has recently established a Working Group to examine this issue.
- **Provincial administration** in many parts of PNG is suffering from multiple governance difficulties flowing from inadequate funding, management and capacity limitations and deterioration of infrastructure. The review of inter-governmental finances under way and the Service Improvement Program will address some of these issues.
- The accountability framework for **statutory authorities** could be improved to reduce the scope for abuse and to improve commercial performance.
- PNG faces a potential **health crisis** from the spread of HIV/AIDS.
- There are widespread **capacity** difficulties affecting the efficiency and effectiveness of management and service delivery performance of agencies at central, line and provincial levels.
- **Corruption** in the public sector is not being reduced- accountability institutions such as the Ombudsman and the Auditor-General have been strengthened but face a considerable challenge in enforcing accountability in the absence of improved financial management and fraud control systems.
- Compliance with the **rule of law** is not yet being given the priority within the public sector that is needed to avoid abuse of power and improper practices.

Objectives of Public Sector Reform

The key objectives for the 2003-2007 plan are:

- *A public sector with a clear sense of direction*
- *Affordable government*
- *Improving performance, accountability and compliance*
- *Improving service delivery*

***Objective 1:
A public
sector with a
clear sense
of direction***

Government departments, agencies and provincial administrations are focused on performing core roles of government and thereby giving effect to government priorities. Central agencies provide leadership and support to ensure that the public sector has a unity of purpose and that stakeholders understand the public sector's role.

The public sector has expanded without clear direction and there is substantial duplication of effort and poor and uncoordinated policy development. It is difficult for the Government of the day to give effect to its priorities. This in turn undermines one of the key attributes of democracy in Papua New Guinea. It is vital therefore that agencies understand their core roles, the vision of Government and have the capacity to translate that into effective policy and implement it.

***Objective 2:
Affordable
Government***

The highest priority is given to delivering government core services economically, efficiently and effectively.

Papua New Guinea faces a period of prolonged financial pressure. This pressure, if not dealt with effectively, will lead to further economic decline and result in severe curtailment of service delivery by government.

***Objective 3:
Improving
performance,
accountability
and
compliance***

Government departments and agencies performance will be measured and reported on, accountability at all levels will be enhanced and much stronger measures will be taken to deal with fraud and corruption in the public sector.

Accountability for performance is the key to all improvement in performance. Unless agencies and individuals are made accountable for their actions, operate with probity and respect the rule of law, there will be no improvement in service delivery. Every effort has to be made to improve capacity within the public sector to deter, detect and prosecute fraud and

***Objective 4:
Improving
Service
Delivery***

corruption. These reforms are vital for the long-term well being of Papua New Guinea.

The structure, role, capacity and behavior of the public sector contribute to effective delivery of services.

The public sector of Papua New Guinea exists to provide services to the people of Papua New Guinea. The ultimate objective of any public sector reform program must therefore be to improve the delivery of services.

Strategies for Public Sector Reform and Indicators of Performance

The development of revised strategies has taken into account the views of a wide range of stakeholders and follows a close examination of past performance and the lessons learned over the last three years.

One of those lessons was that successful implementation of reform can only come about when every department, agency and provincial administration becomes engaged with the process of making their administration perform better. Reform is a job for everyone. Every manager must strive to make his or her section, branch, division or agency improve its performance and the services it delivers.

Therefore, an over-arching strategy for implementing public sector reform is to build reform and improvement goals into every corporate plan. By this process, heads of departments, agencies and provincial administrations will be held accountable for making improvements and contributing to the goal of creating a better public sector.

The indicators in this Plan are broadly stated. Measurement of actual progress will be carried out by evaluating progress in each department, agency and provincial administration, using more explicit indicators to be specified in their corporate plans.

It is intended that annually, an independent evaluation and assessment of the progress of public sector reform will be carried out under the authority of the CACC and the results reported to Parliament.

Objective 1: a Public Sector with a clear sense of direction

Strategies

- Improve support for the National Executive Council (NEC), CACC and Chief Secretary in coordinating, providing policy advice, strategic planning and monitoring the implementation of Government decisions.
- Strengthen the capacity of central agencies to perform their core roles and provide leadership and direction for implementing public sector reform.

- Strengthen corporate planning in departments, agencies and provincial administrations and ensure that plans are linked to budgets and organization improvement.
- Improve the quality and availability of management information for decision-making.

Indicators

- Increased capacity and performance of CACC in providing more effective leadership in whole of government issues.
- Central agencies demonstrate increased capacity to support their key roles.
- Increased and more effective cooperation and coordination across the central agencies.
- Increased satisfaction by line agencies and provincial administrations with the services and support of central agencies.
- Improved information on and analysis of performance.
- All agencies have an effective corporate planning process linked to budget planning and public sector reform.
- Improved quality of submissions and analysis in budget preparation and policy development.

Objective 2: Affordable Government

Strategies

- Rationalize and streamline the roles and structures of departments and agencies to improve the machinery of government, remove duplication, reduce overhead costs and improve services.
- Implement reforms identified in recent reviews to reduce and control spending, and improve the budget process, financial management and procurement practices.
- Accelerate implementation of reforms that will secure a proper level of control of salaries and staffing.
- Implement strategies to improve the collection of revenue due to the State.

Indicators

- Progress towards a smaller, streamlined public sector structure and evidence of reduced payroll costs resulting from restructuring.
- The core functions of all agencies have been critically reviewed and agreed changes implemented.
- Through the implementation of public sector reform, all agencies are contributing to more economical provision of government services.
- Fully operational integrated payroll and HR control for all agencies.
- Sound processes support procurement throughout the public sector and spending is strictly controlled.
- All agencies, through implementing public sector reform are enhancing the collection of government revenue.

Objective 3: Improve performance, accountability and compliance**Strategies**

- Implement effective systems for measuring, monitoring and reporting on agency and individual performance.
- Support watchdogs (particularly the Auditor General and the Public Accounts Committee) and the central agencies to develop effective techniques for assessing compliance and performance.
- Implement initiatives to improve the leadership and management skills of senior public servants.
- Increase public and stakeholder access to information on performance.
- Promote merit, transparency and equal opportunity.
- Improve capacity to prevent, investigate and successfully prosecute fraud and corruption in the public sector.
- Promote ethical conduct and compliance with the law.

Indicators

- Performance management system operating effectively in all agencies and performance information is being used to support public sector reform.

- Increased capacity across government to monitor compliance and performance.
- Improved arrangements for leadership skill development and a stronger collegiate approach to managing public sector reform.
- Improved levels of information on agency and whole of government performance routinely provided to Parliament.
- Evidence that selection, promotion and dismissal systems are contributing to improved performance and management stability.
- Evidence of increasing success in detecting and prosecuting fraud and corruption.
- Prevention strategies and improved monitoring are reducing levels of fraud and corruption in all areas of high risk.

Objective 4: Improve Service Delivery

Strategies

- Improve the organic laws to create more effective and efficient roles in each of the respective levels of government.
- Identify and eliminate impediments to service delivery and devise measures to overcome cultural barriers to organizational improvement.
- Reduce red tape and government costs for business enterprises and investors.
- Improve the Government's response to HIV/AIDS.

Indicators

- Changes arising from the National Economic and Fiscal Commission review and related work reduce costs and waste across government and contribute to better delivery of services through local level organizations.
- Benchmark levels of service established where feasible and changes against these benchmarks monitored.
- Commerce and industry satisfied with government efforts to reduce cost of regulation.
- Evidence that there is full and active cooperation across agencies to combat the spread of HIV/AIDS.

Priorities for Reform

The most critical areas are reducing costs and waste in national and provincial government administrations.

The most critical areas for public sector reform in Papua New Guinea are reducing costs and waste in national and provincial government administrations and correcting the underlying weaknesses that fail to control spending and prevent waste. The benefits that this will return to the country are potentially very large. The seriousness of the country's fiscal position demands their urgent attention.

The findings of the donor supported 2003 Public Expenditure Review and Rationalization (PERR) are signposts to what must be done over the next few years to pursue fiscal reforms and attack the causes of over-spending and waste in the public sector. While these are tasks for all agencies and provincial administrations, the systemic and whole-of-government reforms called for in the PERR will need the leadership of competent and skilled central agencies. A high priority for the Government is to strengthen the capacity of the central agencies.

The National Economic and Fiscal Commission's Review of Inter-Governmental Financial Arrangements is due in 2004. Responding to the recommendations of the Commission's report will be a high priority so the barriers to efficient funding of services delivered by the respective levels of government are removed.

Priorities for reform are not confined to improving fiscal control and performance. There is a need to continue efforts to improve the delivery of services by being more efficient in operations and more responsive to the needs of people. Consequently, raising the performance of provincial and local level governments to deliver services will be a priority.

The process of improving accountability, leadership and direction setting must continue. It is in these areas in particular that enhanced capacity and skills will compliment and support more direct measures that will be taken to achieve fiscal responsibility.

The level of services provided must be one that the community can afford

The ultimate objective is to have in place efficient and effective means for delivering core government services. Implicit in this objective is a condition that the level of services provided must be one that the community can afford.

To summarize, the highest priority in reform will be given to supporting strategies in the plan that:

- Reduce the costs of government, control spending, improve fiscal management and eliminate waste.
- Remove the barriers that impede the efficient funding and allocation of responsibilities among the various levels of government.
- Strengthen the capacity of central government machinery to deliver reforms aimed at the broader systems of government.
- Improve the efficiency and performance of provincial and local level governments in delivering core government services.
- Improve accountability, leadership and direction setting, especially where initiatives in these areas support actions to achieve fiscal responsibility.

The actions that will be taken immediately in support of these priorities are:

- An implementation plan to support those recommendations of the PERR adopted by the Government.
- An integrated program to improve capacity in central agencies.
- A program to support the extension and improvement of corporate planning and the integration of public sector reform into the plans of all agencies and provincial administrations.
- A program to support two provinces during 2004 in developing efficient service delivery structures, processes and management practices.

Some agencies and provincial administrations have established reform programs. Over the next twelve months all agencies and provincial administrations will be expected to develop a reform agenda, for inclusion in their corporate plans, that supports the strategies and priorities in this plan. A high priority for agency reform planning is to critically examine opportunities for greater efficiency and savings in operating costs. The Government will provide guidelines to assist agencies and provincial administrations in doing this.

The Government has yet to fully consider the PERR. In the meantime, a number of current initiatives to control and reduce spending need to proceed at an accelerated pace. These are:

- Improvements to salary controls.
- Finalization of current retrenchment initiatives.
- Implementing identified reforms to procurement.
- Examining options to rationalise departments and agencies.
- Examining options for reforming public sector salary agreements.
- Improving support for Financial Controllers in key departments.

Implementation of Public Sector Reform

Political leadership and support is critical to successful implementation

Strategic planning for public sector reform began with the development of the 2000-2003 Medium Term Plan of Action for Public Sector Reform. The direction for public sector reform was further refined and revised by the Somare/Marat Government following its election to office in 2002. The changed focus of the new Government on public sector reform was particularly affected by the critical budgetary position of the country. The 2000-2003 plan recognized that the Prime Minister and the NEC have overall charge of the program and that political leadership and support is critical to successful implementation.

In the 2000-2003 Plan the NEC gave the CACC, which is chaired by the Chief Secretary to the Government, overall responsibility for designing and managing the public sector reform program. The provisions that have since been made in the Prime Minister and National Executive Council Act 2002 have confirmed the CACC's central leadership role in the reform process.

Implementing public sector reform is the responsibility of department, agency and provincial heads. The central agencies are responsible for implementing reforms that deal with whole of government processes, and line agencies and provincial administrations deal with those reforms that improve their organization's efficiency and effectiveness.

The Public Sector Reform Management Unit (PSRMU) was created to support public sector reform by providing professional capacity and support to the CACC and government organizations. Its role is to support the work of departments, agencies and provincial administrations but not to implement reform.

An independent Public Sector Reform Advisory Group (PSRAG) was also created to provide for stakeholder input. The PSRAG consists of representatives from national, provincial, local-level administrations, the private sector, churches, the public sector union, the National Council of Women and PNG research bodies.

Drawing on the public sector reform experience to date, there are a number of issues to address in clarifying and strengthening the public sector reform implementation framework.

There are a number of issues to address in clarifying and strengthening the public sector reform implementation framework.

They are:

- leadership of public sector reform implementation;
- roles of central agencies;
- responsibilities of line agencies and provincial administrations;
- support provided to public sector reform by PSRAG.

A number of misunderstandings exist. The first concerns responsibility for driving the public sector reform process. The NEC and CACC are not intended to be passive bystanders but rather to have an active leadership role. There is also a need to recognize that the primary responsibility for implementing reform lies with the relevant agencies. The third issue is the need to recognize that central agencies are mandated to play a stronger role in design and support of particular aspects of public sector reform, especially for whole of government reforms. It is the role of PSRMU to work in close partnership with central agencies to support them in these tasks.

The implementation arrangements for public sector reform are as follows:

- The NEC will provide political leadership and direction.
- The CACC will provide strategic oversight of the public sector reform process.
- Departments, agencies and provincial administrations are responsible for implementing public sector reform, with central agency support.
- PSRMU is an expert resource available to assist central and line agencies and provincial administrations.
- PSRAG provides input from external stakeholders to the public sector reform process.

Where a reform initiative is launched by Government, departments, agencies and provincial administrations are expected to take necessary action to implement the reform. PSRMU support is available to advise on the implementation issues.

The roles of the CACC in relation to public sector reform include:

- Providing input to strategies and plans.

- Providing coordination of implementation.
- Ensuring that linkages are made between public sector reform and budget, policy and planning processes.
- Monitoring and reviewing progress in implementation.

The PSRAG plays a vital role in contributing to Government advice and feedback from stakeholders on:

- The focus and priorities of public sector reform.
- The design of public sector reform.
- The implementation process.
- Stakeholder concerns on public sector performance.

The PSRMU's future work involves the public sector drawing on its services as an expert resource that assists organizations in achieving their respective reform objectives.