

# Papua New Guinea – Australia Transport Sector Support Program (TSSP)

*Supported by the Australian Government - AusAID*

## **ANNUAL PLAN 2009**

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Preparation, Review and Authorisation

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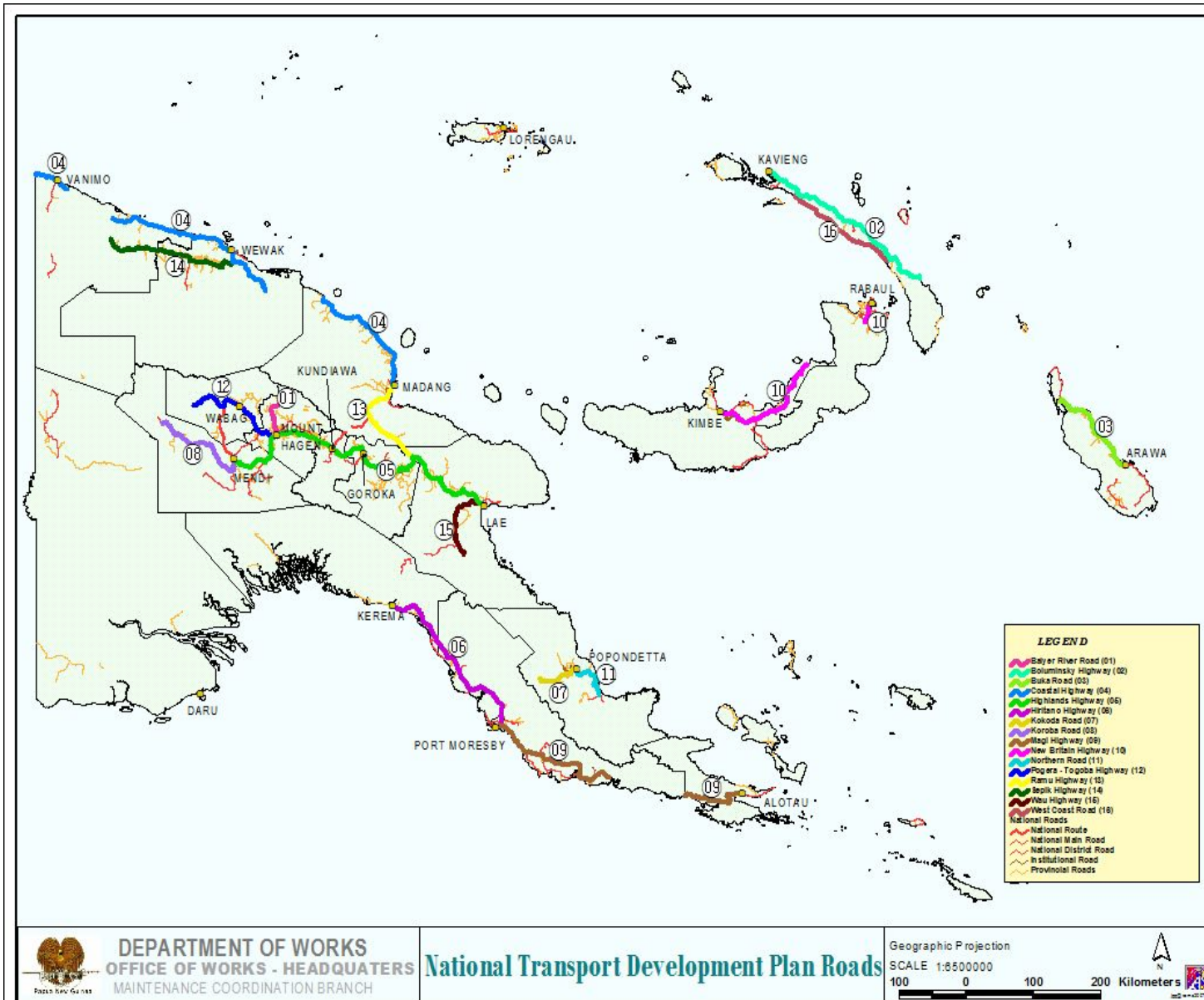
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Map of Papua New Guinea indicating priority national roads, ports and airports



## Abbreviations/Acronyms

ABG	Autonomous Bougainville Government
ADB	Asian Development Bank
AEC	Aid Effectiveness Committee
AMF	Asset Maintenance Facility (TSSP)
AMIA	Asset Maintenance Imprest Account (TSSP)
AMIDA	Asset Maintenance Imprest Drawing Account (TSSP)
APR	Annual Performance Report (TSSP)
ARB	Autonomous Region of Bougainville / Bougainville
ASL	PNG Air Services Limited
ASF	PNG-Australia Advisory Support Facility
AusAID	Australian Agency for International Development
BAMTA	Bougainville Asset Maintenance Trust Account (TSSP)
BCTR	Bougainville Coastal Trunk Road
CAA	Civil Aviation Authority PNG
CACC	Central Agency Coordinating Committee
CDD	Concept Design Document
CIMC	Consultative Implementation and Monitoring Committee
CFF	Challenge Fund Facility (TSSP)
CSTB	Central Supply and Tenders Board
DNP&M	Department of National Planning and Monitoring
DoT	Department of Transport
DoW	Department of Works
DPM	Department of Personnel Management
DRIP	District Roads Improvement Program
DTIP	District Transport Improvement Program
DTS	Department of Technical Services (Bougainville)
FMS	Financial Management Specialist (TSSP)
FPM	Financial Procedures Manual (TSSP)
GoA	Government of Australia
GoPNG	Government of Papua New Guinea
HRMUP	Highlands Road Maintenance & Upgrading Project
IFGI	Infrastructure for Growth Initiative
IPA	Institute of Public Administration
ISP	Implementing Service Provider/Contractor
KRGP	Key Roads for Growth Project
LAN	Local Area Network/s
M&E	Monitoring and Evaluation
MTFS	Medium Term Fiscal Strategy
MRG	Monitoring and Review Group
MTDS	Medium Term Development Strategy
NEC	National Executive Council
NEFC	National Economic and Fiscal Commission
NGO	Non-Government Organisation
NMSA	National Maritime Safety Authority
NRA	National Road Authority
NRBMP	National Road and Bridge Maintenance Project
NRASP	National Roads Regravelling and Sealing Project
NRSC	National Road Safety Council
NTDP	National Transport Development Plan
NTS	National Transport Strategy
OCIL	Opportunities for Continuous Improvement Log (Financial)
ODE	Office of Development Effectiveness (AusAID)
PAF	Performance Assessment Framework
PBAMTA	Public Bodies Asset Maintenance Trust Account
PCR	Post Completion Report

PD	Program Director (TSSP)
PDP	Provincial Development Plan/s
PFC	Principal Field Coordinators (DoW)
PLLSMA	Provincial Local level Service Monitoring Authority
PM	Program Manager (TSSP)
PMC	Project Management and Supervisory Consultant
PNG	Papua New Guinea
PNGPCL	Papua New Guinea Ports Corporation Limited
PPII	Provincial Performance Improvement Initiative
PPM	Program Procedures Manual (TSSP)
PSMS	Public Sector Management Specialist (TSSP)
PSRS	Strategic Plan for Supporting Public Sector Reform in PNG 2003-2007 (Public Sector Reform Strategy)
PTDP	Provincial Transport Development Plans
QA	Quality Assurance
QAP	Quality Assurance Plan
RAMS	Road Asset Maintenance System
RMRP	Road Maintenance & Rehabilitation Project
RMMS	Road Maintenance Management Specialist (TSSP)
SA	Situation Analysis
SGP	Strongim Gavman Program (previously Enhanced Cooperation Program)
SMEC	Snowy Mountains Engineering Corporation, SMEC International (TSSP ISP)
SNS	Sub-National Strategy
SoS	Scope of Services
SPR	Sector Performance Report (AusAID)
SWAp	Sector Wide Approach
SPA	Senior Policy Adviser
TA	Technical Assistance
TAF	Technical Assistance Facility (TSSP)
TATAM	Technical Assistance Trust Account Manual (TSSP)
TIPS	Transport Infrastructure Priority Study
TOR	Terms of Reference
TSCMIC	Transport Sector Coordination, Monitoring and Implementation Committee
TSSP	PNG-Australia Transport Sector Support Program
TSSP-IP	Transport Sector Support Program Interim Phase
UPNG	University of Papua New Guinea
WB	World Bank

# 1 EXECUTIVE SUMMARY

Australia has been providing long-term support to the Government of Papua New Guinea (GoPNG) for the infrastructure sector through its aid program. Over time the focus is shifting from an emphasis on maintenance to capacity building and institutional strengthening as part of a holistic approach to supporting maintenance.

The Papua New Guinea – Australia Transport Sector Support Program (TSSP) commenced in July 2007. While Phase 1 of the Program has been set at five (5) years, TSSP is a longer term commitment by both Governments, and it is anticipated that the Program will have a lifespan of 10-15 years. The Program offers a flexible, rolling design and implementation model and has a budget of around AUD50 million per year.

TSSP brings Government of Papua New Guinea partners and other stakeholders into the activity development, delivery, monitoring and evaluation, and reporting cycle. At the highest strategic level of coordination TSSP supports the activities of and in turn TSSP activities are coordinated by the GoPNG Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC).

The Program approach is directed towards improving governance (including transparency and accountability in government procurement and expenditure) public sector management reform, and institutional strengthening, while continuing to provide funding support for priority maintenance and rehabilitation works (infrastructure workplans).

Importantly, the Program operates within and is assisting to build the capacity of GoPNG agency systems, processes, and personnel whilst applying and/or encouraging appropriate checks and balances. It is also, incrementally and at a pace that can be supported and sustained, assisting the GoPNG with its aim of incrementally moving towards a sector-wide approach.

A number of main reference documents apply to TSSP, notably the Papua New Guinea – Australia Development Cooperation Strategy 2006-2010, the Port Moresby Declaration, the PNG Commitment on Aid Effectiveness; the GoPNG-Government of Australia (GoA) Partnership for Development Agreement; the GoPNG Medium Term Development Strategy and National Transport Development Plan; the GoPNG Strategic Plan for Supporting Public Sector Reform in PNG 2003-2007; the Paris Declaration On Aid Effectiveness; and the TSSP Scope of Services and associated plans and strategies.

TSSP is designed to be adaptive and flexible. The Program is delivered in a challenging and dynamic environment. This Annual Plan has provided a mechanism for reporting on activities under overarching GoPNG and AusAID planning and priorities<sup>1</sup>. More specifically the TSSP Annual Plan:

- Reviews scheduling and planning as summarised in the three year Implementation Plan<sup>2</sup>
- Reviews past performance against Program component objectives
- Highlights planned activities for 2009
- Identifies key issues for discussion within the TSCMIC.

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<sup>1</sup> This 2008/2009 Annual Plan builds on reporting provided through the Annual Plan issued in April 2008 and four Quarterly Progress Reports to June 2008; with reporting shifting from quarterly to six-monthly from June 2008 onwards.

<sup>2</sup> The TSSP Activity Schedule 2007-2010 was accepted by AusAID and the TSCMIC in March 2008 and formed the basis for current and future implementation reporting.

The Annual Plan identifies both the achievements and challenges confronting the Program. It confirms the integrity of the initial design concept; reports on progress; and emphasises the importance of a continued and concentrated effort in assisting partner agencies improve organisational performance. At the same time, it identifies those issues that have given pause to planning and implementation over the reporting period.

A significant overarching policy agreement emerged from the Papua New Guinea and Australian Governments in August 2008. *Partnerships for Development* articulates a shared vision, objectives, principles, commitments, priorities and a performance framework on behalf of both Governments. The transport infrastructure sector is listed as Priority Outcome No 1 which specifies that *key national roads, ports and airports provide access to markets and services*. Targets are:

- 100% of the 16 National Transport Development Plan (NTDP) priority national roads in good condition by 2015
- 22 regional airports meeting safety certification standard by 2015
- Improved port operations. [Note: It has subsequently been agreed that shorter turn around times for ships (un)loading at Port Moresby and Lae Ports will provide greater definition to the maritime indicator].

At the time of preparing this Annual Plan, meetings are taking place with TSCMIC members to develop implementation strategies and timelines that will underpin the *Partnerships for Development* agreement.

TSSP advisers, supported by specialists, are moving consistently and in concert towards strengthening agreed policy, procedural and technical areas within broader corporate and strategic organisational planning both within and across line and central agencies. In so doing, it is recognised that TSSP during its first years of operation, is working towards establishing a sturdy foundation for a longer term commitment.

**In summary, since January 2008 TSSP has:**

- Effectively moved through a number of key stages which included a:
  - 'planning and transition phase' from July-December 2007
  - 'ramping up phase' which involved the staged procurement, induction and embedding of 28 advisers, 2 in-line positions, and 6 contractors and/or consultants from January to December 2008
  - 'reflection, review, and re-planning phase' from July to December 2008
  - review and reworking of agency workplans for 2008 and in preparation for 2009 by way of adapting to project planning and expenditure capability, budget availability, and personnel ability
- Received and analysed the information resulting from 19 adviser situation analyses thereby identifying key issues confronting transport infrastructure agencies (distributed to agency heads and TSCMIC for discussion and consideration). Annex 1 refers, *TSSP Adviser Situation Analysis Review*
- Received head of agency approval for all adviser annual workplans and determined a standardised review and data collection strategy to monitor and report on capacity development progress within agencies
- Commenced transition planning for the Key Roads for Growth Program

- Worked cooperatively within and across the transport infrastructure sector in supporting agencies to improve supplementary/recurrent/development budget planning, submissions, presentations and briefings
- Produced and commenced implementing a two-year sector-based Legislative Drafting Plan with the aim of resolving a wide range of legislative and functional matters by level of government, transport mode and key national transport Infrastructure agencies, following the development and endorsement of a transport sector legislative and functional analysis of responsibilities by level of government, and transport mode. Annex 2 refers, *PNG Transport Sector Legislative Drafting Plan*
- Opened and/or assisted GoPNG agencies with opening 22 financing facilities (excluding Technical Assistance Mini-budget accounts) to cover approved technical assistance and asset maintenance expenditure
- Overseen actual expenditure from January to December 2008 of total PGK99.6 million through the PGK-denominated accounts and AUD5.7 million through the AUD-denominated Technical Assistance Imprest Account (TAIA)
- Anticipated projected expenditure from January to December 2009, based on agency workplans, totalling PGK118.5 million (including AUD17.5 million through the AUD-denominated TAIA)
- In consultation with AusAID, allocated PGK2 million to an investigation, design and the development of bidding documentation for Erora, Girua, Ambogo and Kumusi Bridges in Oro Province. Construction will be funded through the 2008 Performance Grant Fund, following DoW tender process. Implementation will not commence until 2010
- Assisted the DoW commence road maintenance and rehabilitation projects within nine provinces at an estimated PGK131million (through the DoW Asset Maintenance Imprest Account) with project expenditure carrying through into 2009
- Assisted the Civil Aviation Authority (CAA) and PNG Air Services Ltd (ASL) plan and schedule an upgrade of air services systems at an estimated PGK27 million with agreed projects including the widening of Taxiway Shoulders at Wewak Airport, Pavement Repairs at Girua Airport, development of a National Airports Strategic Management Plan, Pavement Evaluation at Hoskins, Tokua and Madang Airports, the development of a Port Moresby Airport Master Plan, and a Security Upgrade for Port Moresby Airport
- Supported the upgrading and expansion of the NMSA PNG Maritime Radio Communications System (including the Global Maritime Distress and Safety System) at a cost of around PGK2 million
- Agreed to support the upgrading of Buka Wharf and a strategic review of PNG Ports generally to an estimated value of PGK3.5 million
- Following a Pre-Feasibility Study for Re-Routing of the Highlands Highway between Eastern Highlands-Simbu and Simbu-Western Highlands borders; agreed to fund a full Feasibility Study at an estimated cost of PGK2 million
- Extended the pilot of the TSSP Capacity Building Framework (practice based model) from the Department of Transport to include Department of Works Corporate Support Units, with the full support of agency heads and the involvement of senior executive
- Worked closely with the DoT and the DNP&M in supporting the 2008-2009 review of transport sector policies, including the Long Term Development Strategy, the Medium Term Development Strategy, the National Transport Strategy and Medium Term Transport Plan/s, with the aim of improving consultation, coordination, and cogency of planning

- Worked cooperatively with SNS/PPII, in supporting the DoT provincial transport infrastructure planning, initially within four agreed priority provinces (Sandaun, Eastern Highlands, East New Britain and Milne Bay)
- Commenced discussions within Bougainville, through the DoT, with the aim of improving prioritised transport infrastructure planning across all funding and planning agencies
- Produced, distributed and made available, the baseline study which established initial household information relating to income and access (to markets, health / education services etc) in nine provinces where TSSP road maintenance activities are occurring; with a second study scheduled for 2009/10 to measure the impact that ongoing maintenance and therefore better roads, has on families living near those roads<sup>3</sup>.
- Designed and introduced one information system (located within the Department of Transport) and one smaller information system (located within the TSSP Boroko Office) to assist the DoT monitor and report on the results of NEC decisions influencing the sector and to track changes in infrastructure levels and quality; and the TSSP to track, monitor, analyse and report on activities.
- Initiated and produced a report on a survey of candidates for TSSP positions with a view to informing and improving recruitment processes. Key indicator was that 85% were satisfied or very satisfied the with recruitment process. Suggested improvements have been reviewed and, where applicable, incorporated into the Recruitment Strategy for implementation from 2009 onwards.
- Made TSSP reporting publicly accessible through the TSSP website; with a password section added for key stakeholders such as agency heads and AusAID, enabling access to internal reporting.

A summary of the strategic issues raised in other Progress Reports and Annual Plans, with comment on action taken to date, is provided at Annex 3.

**Key activities that TSSP will support during 2009 include:**

- Continuing to support the TSCMIC and its sub-committees
- Assisting the transport infrastructure sector, through the Department of Transport to:
  - Develop and submit a 2009 consolidated development budget
  - Implement the approved legislative drafting reform plan (legislative and functional policies, draft legislation, regulations and statutory instruments)<sup>4</sup>
  - Develop new overarching policy frameworks (Long Term Development Strategy, Medium Term Development Strategy, National Transport Strategy, Medium Term Transport Plan)
  - Assist nominated provinces improve prioritised transport infrastructure planning across all funding and planning agencies
  - Consolidate reporting on activities across the transport infrastructure sector
  - Develop an options paper that identifies the capacity constraints and possible solutions at play in building PNG based contractor capacity to bid for and manage infrastructure projects.
- Developing a plan for transitioning the Key Roads for Growth Project under TSSP
- Assisting partner agencies with the implementation and monitoring of 2009 asset maintenance work plans; and the development of work plans for 2010

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<sup>3</sup> This project is harmonising donor activities of the World Bank and AusAID, and planning within DoW.

<sup>4</sup> The legislative reform plan was approved for action by the GoPNG Minister for Transport, Works and Civil Aviation in January 2009

- Assisting agencies strengthen transparency and accountability around reporting on the use and distribution of trust account funds; general financial planning and reporting; and compliance/reporting in responding to audit investigations
- Assisting the DoW to:
  - Improve Road Asset Maintenance System reporting, particularly in relation to the 16 priority national roads
  - Establish a new Contracts and Procurement Branch, introduce standard documents in consultation with other donor agencies, and further improve procurement practices and contract management
  - Develop the capability of Provincial Works Managers to monitor and report on provincial work contractors and asset maintenance projects
  - Develop workplans that encompass and report against the full funding envelope
  - Implement the Oro Bridge Design Consultancy findings regarding the reconstruction of four bridges
  - Consider the findings of feasibility reports on roads as agreed, particularly the Highlands Highway between Eastern Highlands-Simbu and Simbu-Western Highlands borders
- Rolling out the capacity building framework to include all transport sector line agencies, and providing a report on the implementation
- Supporting the development of strategies that address the problems being experienced within agencies in attracting and retaining applicants particularly to technical positions
- Supporting agency initiatives that strengthen information technology platforms, and provide agencies with intranet and internet websites
- Expanding the TSSP focus to include issues relating to disability, which will encompass issues such as road and small boat safety
- Implementation of the HIV and AIDS Strategy and Plan and, as and when approved, the Gender Strategy and Plan
- Continuing and strengthening M&E analysis and reporting against TSSP planning and activities.

**Key strategic issues that have arisen during 2008 include:**

- **Capacity**

The capacity of many GoPNG personnel, particularly at the operational level, continued to prove challenging for many Advisers. Capacity constraints have often limited the ability of transport infrastructure agencies to carry out key functions and responsibilities.

Key transport infrastructure sector agencies have experienced a slowing of project works, often as a result of weak planning, scoping and procurement skills; and/or a smaller number of personnel appointed to work units than might be anticipated. These limitations have been evidenced within DoW with road projects being delayed or re-tendered; and within the CAA, ASL, and NMSA with slower than anticipated scoping and tendering of works <sup>5</sup>.

Capacity limitations have also been experienced in the private sector and the DoW in particular has found it difficult to continue to source contractors capable of undertaking required technical and supervisory works.

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<sup>5</sup> These technical limitations were foreshadowed in the TSSP Capacity Assessment in December 2007 and the subsequent Staged Capacity Building Model has been developed as a mechanism to identify, monitor and (over time) increase capacity within a strategic framework, however progress is likely to be slower than initially anticipated.

The private sector has proved to be overstretched and, with few exceptions, to be hampered by limited tendering, implementation and/or project management skills; unreliability; an inability to secure and retain suitable staff; and often severe cash flow shortages; all of which have impacted upon the timely delivery and quality of works.

The absence of appointed counterpart officers and limited access to senior executives is an ongoing issue. This has proved frequently to be associated with and/or exacerbated by agency restructures (DoT, DoW, CAA, PNG Ports and DNP&M have all restructured during 2008) with an associated 'spill and fill' for positions and/or agencies awaiting approval to advertise and fill vacant positions.

- **Management of the Roads Program**

During 2008 TSSP has built up and embedded a substantial adviser presence in DoW. In general it has been found that DoW has solid supervision and administrative policies and procedures in planning and managing road maintenance activities, however familiarity with and implementation of these procedures is poor. The DoW advisers are therefore focusing on raising awareness of the proper procedures and developing understanding as to the importance of adherence. Progress is mixed, but there is a clear indication from departmental senior staff, most notably the Principal Field Coordinators (PFC), that DoW must better manage maintenance activities and take more responsibility for the road network, starting with the 16 Priority Roads.

In regards to the AusAID funded maintenance projects, TSSP has experienced difficulty in obtaining the necessary counterpart participation to achieve timely project scoping, tender document preparation and tender evaluation. As a group, TSSP advisers are addressing this issue and there has been some progress during the second half of 2008. DoW is being assisted with the development of standardised checklists, tendering and evaluation procedures and in the development of a Contracts and Procurement Branch to drive project development and implementation.

There are perceptions within DoW that donors have driven road asset maintenance planning, programming and management over the past decade, and a determination to take a leading role in the management of these assets. There are many challenges associated with this change. TSSP has commenced by working to GoPNG and DoW priorities and (as required by the Program Scope of Services) within – and strengthening - DoW systems and procedures. This has caused some short term delays however it is anticipated that, in the longer term, greater sustainability will be achieved.

- **TSCMIC, Policy and Sector Management**

The TSCMIC continues to play a central role setting strategic direction for TSSP (coordinating sector management efforts, prioritising needs, monitoring asset maintenance workplans, establishing and promoting sector-wide budget submissions, and promoting policy). The TSSP has established a sound working relationship with the TSCMIC and is responsive to ongoing and/or changing circumstances and needs. Alignment of the TSSP goal with that of the TSCMIC has been an important step.

Notwithstanding this, the TSCMIC is a relatively newly formed Committee and is still growing into its role as a coordinated voice for the sector. It is anticipated that the TSCMIC will mature as a Committee over 2009-2010, and increase its influence.

A revitalised GoPNG policy environment will be exceedingly important to the transport sector during 2009 and onwards. The policies identified for discussion, development and/or revision are:

- Long Term Development Strategy (40 year) through Public Sector Reform Management Unit
- Long Term Development Strategy (20 year) through Department National Planning and Monitoring
- Medium Term Development Strategy (5 years) through Department of National Planning and Monitoring
- National Transport Plan(20 years) through the Department of Transport
- Medium Term Transport Plans (5 years) through Department of Transport.

TSSP will enhance its interaction with the NRSC in light of AusAID's increased focus on road safety, consistent with the *Development for All - Towards a disability-inclusive Australian aid program 2009-2014*. More immediately, during 2009, the Program will develop a Road Safety Report for consideration by the TSCMIC.

- **Funding**

The GoPNG has increased funding for transport sector infrastructure over 2008 (both through the development and recurrent budgets) and this is likely to continue into 2009 with the release of additional funds through the supplementary budget to fund infrastructure against agreed national (NTDP) priorities. Complementing this increase in funds has been the development of the first joint sector-wide budget submission (coordinated by DoT) covering all transport infrastructure line agencies. The budget also contains a five-year implementation and management plan. Both the budget and plan will be managed and monitored by the TSCMIC. TSSP will provide financial management support within line agencies to ensure these funds are allocated and budgeted accordingly.

The recent global financial crisis has impacted on AusAID and therefore TSSP funding. It has proved necessary to reduce planned TSSP funded activities for 2009 as a result of the funding shortfalls that followed a decrease in value of the Australian dollar against the PNG kina. The full extent of this impact is still being realised, however in the short term only limited new projects will be implemented. Nonetheless, TSSP has approximately PGK53million available for on-going works during 2009 and a further PGK18million for new projects (already committed). Included are the Wabag – Wapanamanda Rehabilitation in Enga Province and the Mai- Nuku Road Upgrade in Sandaun Province.

While additional AusAID funding is anticipated under Partnerships for Development, the extent is not known at the time of writing this Annual Plan.

- **TSSP Contract Amendments**

Unexpected delays have been experienced in association with the issuance of a TSSP contract amendment, notwithstanding initial negotiations and agreement. This has slowed Program planning around some priority projects, notably the Oro Bridge Design and Document Development and the commencement of a Bridge Adviser team within DoW. The postponement of some personnel appointments has also been necessitated.

## Summary

TSSP has established a sound foundation during 2008. This encompassed the recruitment/embedding of Technical Assistance; the finalisation of key plans and strategies; implementation of a staged capacity building approach, and continued funding for roads asset maintenance. The Program has established relationships with, and is continuing to build trust within, partner agencies. This 2009 Annual Plan builds on these foundations. Further improvement is anticipated in the coming year, albeit in incremental steps at a pace that agencies are able to support and sustain.

## 2. PROGRAM OVERVIEW

### 2.1 Introduction

Australia has been providing long-term support to the Government of Papua New Guinea (GoPNG) for the infrastructure sector through its aid program. Over time the focus of Australian assistance is shifting from an emphasis on maintenance to capacity building and institutional strengthening as part of a holistic approach to supporting maintenance.

The Papua New Guinea – Australia Transport Sector Support Program (TSSP) commenced in July 2007. While Phase 1 of the Program has been set at five (5) years, TSSP is a longer term commitment by both Governments and it is anticipated that the Program will have a lifespan of 10-15 years. SMEC International Pty Ltd has been contracted as the Implementing Service Provider (ISP) for Phase 1.

TSSP has a budget of around AUD50 million per year.

TSSP brings Government of Papua New Guinea partners and other stakeholders into the activity development, delivery, monitoring and evaluation, and reporting cycle. At the highest strategic level of coordination TSSP supports the activities of and in turn TSSP activities are coordinated by the GoPNG Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC).

The Program offers a flexible, rolling design and implementation model. It has been designed to improve governance, capacity and service delivery within GoPNG's transport infrastructure agencies whilst encouraging GoPNG to take increasing responsibility for infrastructure maintenance funding and thereby becoming less dependent on donor support.

More specifically, the approach is directed towards improving governance (including transparency and accountability in government procurement and expenditure) public sector management reform, and institutional strengthening, while continuing to provide funding support for priority maintenance and rehabilitation works (infrastructure workplans).

Importantly, the Program operates within and is assisting to build the capacity of GoPNG agency systems, processes, and personnel whilst retaining appropriate checks and balances. In so doing TSSP:

- Builds on and further develops GoPNG's leadership, policies and priorities for the sector
- Moves towards a programmatic approach that includes crucial areas of public sector reform and governance to which GoPNG is committed and can lead
- Moves towards reform and changes leading to a sector wide approach, incrementally and in line with the 'pace' of the sector agencies and their capacity and ability to absorb change in a coherent manner.

The TSSP team responds to GoPNG leadership, policies and strategies; and works through GoPNG systems, processes and personnel, where-ever possible, with nominated specialists embedded and working from within relevant agencies/authorities. While the initial focus remains on strengthening the roads, aviation and the maritime sub-sectors, the TSSP team is aware of the importance of assisting the GoPNG with its aim of incrementally moving towards a sector-wide approach; and of developing and maintaining synergies with other programs and donor activities.

In supporting the Program design and leading into a sector wide approach, a number of AusAID funded projects have transitioned and/or will transition into TSSP. These include the Bougainville Coastal Trunk Road Exit Phase Project (2007), the TSSP Interim Phase (2007), and the Key Roads for Growth Program (2009/10).

In conformity with continuous improvement practices, activities under TSSP will be tested, refined and, where relevant, practices improved and streamlined.

## 2.2 Key Reference Documents

The main reference documents for the Program are:

- Papua New Guinea – Australia Development Cooperation Strategy 2006-2010
- Port Moresby Declaration
- GoPNG-GoA Partnerships for Development Agreement
- GoPNG Medium Term Development Strategy
- GoPNG National Transport Development Plan
- Strategic Plan for Supporting Public Sector Reform in PNG 2003-2007<sup>6</sup>
- Paris Declaration On Aid Effectiveness : February-March 2005
- Kavieng Declaration on Aid Effectiveness : February 2008
- TSCMIC Monitoring and Evaluation Strategic Overview
- TSSP Scope of Services
- TSSP Concept Design Document
- TSSP Strategies, Policies, Plans and Manuals
- GoPNG Transport Sector Agency Corporate and Workplans
- Papua New Guinea Transport Infrastructure Priorities Study (TIPS)
- Papua New Guinea Roads Priority Study: Review of National Roads in Papua New Guinea.

The Annual Plan also refers to and relies on information provided in TSSP Progress Reports released in July each year, a previous Annual Plan, and Monthly and Quarterly Financial Reporting.

## 2.3 Purpose of the Annual Plan

Annual Plans are a major planning, management and reporting document for the Program. This is particularly pertinent given the flexible and adaptive nature and design underpinning TSSP. As such the contents of the Annual Plan reflect discussions with key counterparts including TSCMIC members. The Plan will be formally presented to the TSCMIC for endorsement<sup>7</sup>.

TSSP is delivered in a challenging and dynamic environment. Annual Plans provide a mechanism for not only reporting on activities under overarching GoPNG and AusAID planning and priorities but also provide an opportunity for the Program to consider and/or realign performance against required outcomes. More specifically the TSSP Annual Plan:

- Reviews scheduling and planning as summarised in the three year Implementation Plan<sup>8</sup>
- Reviews past performance against Program component objectives
- Highlights planned objectives for 2009

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<sup>6</sup> The Strategic Plan for Supporting Public Sector Reform in PNG 2008 to 2012 is due for release in December 2008, but not available at the time of preparing this Annual Plan.

<sup>7</sup> The TSSP Annual Plan documentation process incorporates a review stage through AusAID before it can be released.

<sup>8</sup> The TSSP Activity Schedule 2007-2010 was accepted by AusAID and the TSCMIC in March 2008 and forms the basis for current and future implementation reporting.

- Identifies key issues for discussion within the TSCMIC and AusAID.

While TSSP Annual Plans currently respond to specific Scope of Service (SoS) and AusAID guidelines it is anticipated that, over time, there will be an opportunity for changes to occur in reporting so that the Annual Plan better supports TSCMIC planning and reporting responsibilities as that Committee increases its effectiveness and strategic alliances within the GoPNG.

## 2.4 Program Goal and Objectives

The goal of TSSP is to ensure improved governance and performance in GoPNG's delivery of transport infrastructure services through effective use of resources.<sup>9</sup>

There are a number of separate activities directed at four main objectives:

- 1. Line agency public sector reform and governance:**  
To support operational reform in the transport sector agencies through improved public sector administration and reform programs.
- 2. Strengthen central agency capacity:**  
To strengthen linkages between the transport sector agencies and central agencies so that service delivery and reform programs are actively supported.
- 3. Provincial Transport Services:**  
To support improved performance of provincial, district and local level governments to deliver transport services in selected locations.
- 4. Prioritised Transport Asset Maintenance:**  
To support delivery of an affordable, contestable and prioritised national transport network.

## 2.5 Coordinating and Decision Making Structures

TSSP brings Government of Papua New Guinea partners and other stakeholders into the activity development, delivery, monitoring and evaluation and reporting cycle.

TSSP supports the activities of and in turn TSSP activities are coordinated by the GoPNG Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC).

Membership of the TSCMIC comprises:

- Department of Transport (DoT)
- Department of Works (DoW)
- Civil Aviation Authority (CAA)
- PNG Ports Corporation Ltd (PNG Ports)
- National Maritime Safety Authority (NMSA)
- National Road Authority (NRA)
- National Road Safety Council (NRSC)
- Department of National Planning and Monitoring (DNP&M)
- Department of Prime Minister and National Executive Council (NEC)
- Department of Treasury (Treasury)

<sup>9</sup> The goal in the TSSP Scope of Services was defined as *"contributing to improved governance and performance in GoPNG's delivery of transport infrastructure services in support of broad based economic growth through a flexible and responsive program of activities in a manner that fosters transition from external to internal funding"*. Production of that document (and the Concept Design Document) preceded the formation of the GoPNG Transport Sector Coordination, Monitoring and Implementation Committee (TSCMIC) by the National Executive Committee. The TSSP goal was, as a consequence, redefined in September 2007 to align with the TSCMIC goal, in reflecting the Program emphasis of working through PNG leadership, policies, procedures and personnel.

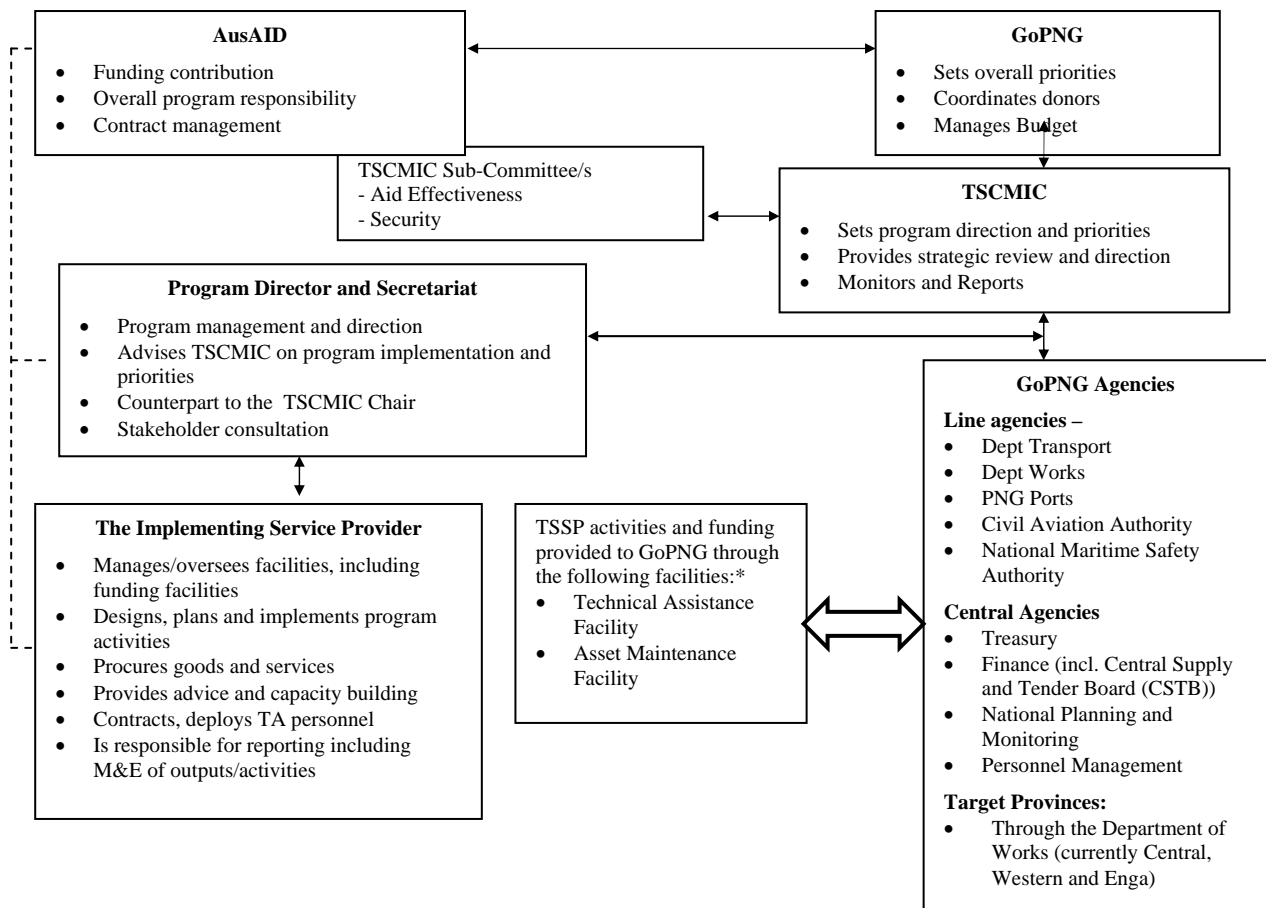
- Department of Finance
- AusAID.

A sub-committee of the TSCMIC has been formed to particularly focus on donor harmonisation and aid effectiveness. Sub-committee membership includes representatives from the Asian Development and World Banks.

The primary counterpart agencies for TSSP are the Department of Transport, the Department of Works, PNG Ports Corporation Ltd, Civil Aviation Authority (including PNG Air Services Ltd which became operational on 1 April 2008), the National Maritime Safety Authority, and the Department of National Planning and Monitoring.

A Program Director has been appointed by AusAID to oversee and direct TSSP activities.

**Figure 1: TSSP governance and management framework as at December 2008.**



\* A Challenge Fund Facility was originally proposed. Following a review during 2007, AusAID determined that this matter should be placed on hold until advised otherwise.

## 2.6 Key Program Principles

TSSP has developed a Statement of Program Principles which is distributed to and discussed with all incoming personnel.

The overarching principles are:

- Support for the transport sector will be policy driven and support GoPNG leadership of the sector
- Where ever possible, activities will take place within GoPNG systems and processes and assist to build capacity within them
- The focus will be on prioritised maintenance and based on the identification of the entire resource envelope required
- GoPNG will have committed funding in line with the policy framework
- Reform and changes leading to a sector wide approach will be incremental and implementation will be in line with the reform capacity of the agency and/or its ability to absorb reform in a coherent manner.

A TSSP Code of Conduct and Statement of Values have been developed to complement Program Principles. These integrate and conform to the requirements of the Australian Public Service Code of Conduct and Values Statement re-stated in October 2008 by AusAID. These documents are fully discussed with, and signed by, all incoming personnel who are also alerted to the consequences that may arise from breaches.

A copy of these documents was provided with the first TSSP Annual Report which is available through the TSSP website: [www.pngtssp.com](http://www.pngtssp.com).

### 3 PARTNERSHIPS FOR DEVELOPMENT AGREEMENT

A significant policy agreement emerged from the Papua New Guinea and Australian Governments in August 2008. The transport infrastructure sector is listed as Priority Outcome No 1.

Priority Outcome No 1 specifies that key national roads, ports and airports provide access to markets and services. Targets are:

- 100% of the 16 National Transport Development Plan (NTD) priority national roads in good condition by 2015
- 22 regional airports meeting safety certification standard by 2015
- Improved port operations.

It has subsequently been agreed that shorter turn around times for ships (un)loading at Port Moresby and Lae Ports will provide greater definition to the maritime indicator.

At the time of preparing this Annual Plan, meetings are taking place with TSCMIC members with the aim of developing implementation strategies, responsibilities and timelines.

While additional AusAID funding is anticipated under Partnerships for Development, the extent is not known at the time of writing this Annual Plan. It is understood that any funding changes will be subject to negotiation between the GoA and the GoPNG and Australian budget processes.

## 4 IMPLEMENTATION AND PLANNED ACTIVITIES

This section provides an implementation report on activities under TSSP for the preceding twelve calendar months (January to December 2008) and information on scheduled activities for the coming twelve months (from January – December 2009). There is therefore some minor overlap with the reporting provided in the first TSSP Annual Plan, which covered the period July 2007 to March 2008. Reporting is framed under the Program components specified in the TSSP Scope of Services.

A Monitoring Review Group (MRG) will undertake an independent review of TSSP and provide the TSCMIC and AusAID with advice on Program implementation to date. More specifically, the MRG is being asked to consider performance against that envisaged in the Concept Design Document, assess documents prepared during the planning phase, review performance against the contracted scope of service and provide recommendations to further strengthen the Program. MRG visits will commence in February 2009 and will occur six monthly thereafter.

### 4.1 COMPONENT 1: ESTABLISH AND MANAGE CONTRACTOR SERVICES

#### 1.1 *Establish an Office, Mobilise Key Personnel (Core and Technical Assistance)*

##### ➤ *Office*

##### **Implementation January – December 2008**

The TSSP Boroko Office is well established and able to accommodate management, core personnel, administrative support staff, and meetings with stakeholders. It offers advisers an alternate workstation to that provided by agencies, for use as and if required.

Despite considerable effort, some IT connectivity issues remained unresolved, with internet and email access problematic. The ISP continues to provide additional support from Australia and within PNG with the aim of improving the service.

The TSSP Boroko Office lease was agreed with the Bank of South Pacific in 2007. It is however currently operating on a month-by-month basis pending finalisation of some structural repairs and the completion of a risk assessment by the Bank of all tenancies. The risk assessment is being undertaken by the Bank as a result of the robberies and hold-ups that have occurred in branches during 2008.

The rapidly increasing number of vehicles and adviser/stakeholder meetings within the TSSP Boroko Office has exceeded the number of parking spaces able to be allocated by the property owner. Additional near-by parking facilities and an extension of security guard services have, as a consequence, been made available by the ISP.

An ISP sponsored Program Support Officer was initially located in the TSSP Boroko Office, full time for 12 months from May 2008 to strengthen corporate support and continue devolving relevant functions to the TSSP Program Manager. This has strengthened communication and administrative capacity, proved to be value adding, and as a result will be extended through to June 2010.

## Planned activities January – December 2009

Planned activities from January to December 2009 include:

- Continuing to work towards improving the IT service so that it becomes more reliable and better able to meet the needs of all TSSP team members
- Monitoring administrative and procedural practices with the aim of learning from and improving practice
- Reviewing quality assurance plan and relationship with key Program documents
- Upgrading services, where required, to better support personnel and existing/emerging needs
- Implementing contract variations, as and when contract amendment issued by AusAID<sup>10</sup>.

### ➤ *Personnel*

Three key phases relate to activities reported within this section:

1. Planning and transitioning
2. 'Ramping up'
3. Reflection, review and re-planning.

## Implementation January – December 2008

Following what was primarily but not exclusively a **planning and transitioning phase**<sup>11</sup> in 2008, TSSP entered a **'ramping up phase'** which involved the mobilisation of 28 personnel, with logistical, administrative, security and other support provided by the ISP and, for those advisers embedded within GoPNG agencies, also by the relevant agencies. This major procurement exercise over a relatively short duration required a considered effort from:

- The ISP in coordinating, supporting and managing inputs
- The TSSP core team in fostering positive team dynamics, creating for advisers a sound understanding of and commitment to Program objectives, in supporting adviser planning, and the instigation of reporting and monitoring procedures
- GoPNG agencies, who were involved in every stage of the process from selection<sup>12</sup> to confirming counterpart and reporting arrangements, developing an understanding of the role and expectations of advisers within each agency, minimising the potential for capacity strain, supporting the development of adviser annual workplans, and monitoring adviser fit and effectiveness.

As requested by GoPNG agency heads, all interviews continued to be held in PNG and in agency premises - an approach that was consistent with the requirement for TSSP to work with and through (and assist in strengthening) GoPNG systems, procedures and personnel. This strategy resulted in greater involvement by agency personnel, longer term planning, more effective time management, and also in enabling a better comprehension of local circumstances for short-listed candidates.

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<sup>10</sup> Contract variation discussions commenced with AusAID in Q2, 2008 following acceptance of the TSSP Inception Report and have continued during the second half of 2008. Proposed amendments primarily encompass changes to personnel and input durations and the associated financial implications.

<sup>11</sup> During its first six months of operations, TSSP was primarily but not exclusively involved in gathering, reviewing and analysing information in consultation with the TSCMIC, partner and central agencies, donors and personnel from other AusAID funded programs, with a view to: understanding and building on rather than replicating earlier activities; developing agreed strategies for future action.

<sup>12</sup> In some instances this was the first opportunity for agency representatives to be involved in merit based recruitment and selection practices, and to chair selection panels. The ability to include an observer from GoPNG agencies, during interviews, was positively received. Given the observer was almost always the senior counterpart for the position, this process not only added value to the selection process, but also in paving the way for a more welcoming environment for advisers entering the organisation.

It also allowed for the GoPNG to include observers (usually senior counterparts) by way of gaining greater buy-in and support for incoming personnel and associated activities.

During 2008 it proved necessary to re-advertise four advisory positions because of reasons that encompassed resignations, contractual breaches and, in one most unfortunate instance, the death of an adviser. As a consequence the Program, in concert with AusAID has reviewed and updated the responses associated with the management of critical incidents.

The preceding two phases have been strengthened by a: **'reflection, review, and re-planning phase'** from July to December 2008. During this period the core team has, with the Program Director, reviewed past practices and in consultation with stakeholders, confirmed and/or realigned future planning to better reflect the priorities of the transport infrastructure sector agencies – and the TSCMIC - in what proved to be fluid and changing circumstances (eg organisational restructuring <sup>13</sup>, budget decisions, National Executive Council decisions etc).

TSSP has continued to expand host agency involvement in personnel decisions. For instance, in addition to recruitment, host agencies are now involved in administrative approval processes for adviser attendance, leave and travel.

TSSP has adopted a broad adviser reporting framework and monitoring strategy which incorporates:

Report and Timeline By Adviser	Monitoring / Review and Timeline By TSSP
An agency based situational analyses (within eight weeks of commencement as a foundation for work based activities and reporting; and reviewed annually).	Endorsed by PM/PSMS and approved by PD TSCMIC is provided with a sectoral wide analysis <sup>14</sup>
An annual workplan based on Terms of Reference, including Activities, Deliverables and Timelines (within 10 weeks of commencement within agencies)	Approved by Heads of Agency, PD and PM Updated July each year or earlier if required.
Monthly Progress Report within five working days of previous month	Monitored each month by PM, PSMS and PD Reviewed each quarter by PM, PSMS, M&ES, and FMS (monitored by adviser and by adviser groups within agencies) Progress monitored by PM with Heads of Agencies (quarterly).
Six-Monthly Analytical and Reflective Reports	Reviewed July and January by PM, PD, and PSMS/M&ES
Capacity Building Plans and Reports	Reviewed by PSMS as model is rolled out to work units within agencies
Exit Reports	On completion of placement.

The information generated within this reporting framework and monitoring strategy is analysed and reported through TSSP By-Exception Monthly Reports to AusAID; and through Six-Monthly

<sup>13</sup> Every transport infrastructure line agency, and the Department of National Planning and Monitoring has undergone and/or is undergoing an organisational restructure during 2008.

<sup>14</sup> A consolidated report of all adviser situation analyses which provides a sectoral overview of the main challenges and issues confronting agencies in the transport sector was provided to all agency heads and is more broadly available through the TSSP website.

Progress Reports, Annual Plans, Annual Performance Reports and one-off reports which are considered by the TSCMIC and AusAID. Reporting is also made available to stakeholders and the broader community through the TSSP website.

### **Planned activities January – December 2009**

Professional, logistical and administrative support will continue to be offered to personnel - both incoming and established.

Meetings, discussions and information-sharing are important elements within TSSP. They form part of the communication strategy which was developed to promote understandings, protocols, networks and the synergies necessary to progress TSCMIC and AusAID priorities and more broadly the harmonization agenda. They are largely a mechanism that is assisting personnel within the Program and GoPNG agencies to: consider/resolve issues; plan and extend activities; strengthen linkages within and across agencies; enhance central, line agency and provincial planning; and enhance skills.

Within TSSP meetings include but are not limited to:

- TSSP Senior Management Team Meetings (weekly)
- Meetings between agency coordinators and members of the TSSP Senior Management Team<sup>15</sup> (routinely); and with the PM (quarterly)
- Agency coordinator meetings with agency-based adviser groups (weekly)
- Monthly by-exception reports and meetings with AusAID
- Technical adviser group meetings, for example: all financial advisers, all policy and planning advisers, all engineering advisers (quarterly and to be expanded to include counterparts)
- Full team meetings (at least quarterly)<sup>16</sup>
- Strategic Planning Meetings with counterparts (quarterly as a minimum)
- Specialist Reflection and Planning Meetings (6-monthly)
- Peer review teams around planned activities, approaches, new initiatives and in providing comment on draft reports/publications (ad hoc)
- Thematic discussion groups (as opportunities present through short-term specialist / consultant inputs eg gender, HIV and AIDS, risk, M&E, change management)
- Contact with other donors and AusAID funded program personnel to promote the sharing or information and potentially problem-solving approaches (as opportunities arise or points of interest converge eg provincial planning through the Sub-National Initiative; AusAID convened Team Leader meetings)
- Briefings from and/or meetings with the PD
- Circulation of written information and reports.

During 2008 a consolidated transport infrastructure development budget was, for the first time, developed and presented for Ministerial consideration through the Chair of the TSCMIC.

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<sup>15</sup> The TSSP Senior Management Team comprises the Program Manager, the Public Sector Management Specialist, the Financial Management Specialist and the Monitoring and Evaluation Specialist.

<sup>16</sup> Five full team meetings were convened during 2008 around key themes : AusAID Infrastructure Planning 12/09/08; Confidentiality (Deed and Interpretation/Code of Conduct)10/10/08; Monitoring and Evaluation 12/11/08; Change Management 26/11/08) and Gender Planning 04/12/08.

The benefits of having a number of advisers within primary partner agencies assisted those agencies in progressing activities that required multi-faceted planning, for example the links between financial and human resource planning/asset maintenance workplanning. The budget planning process adopted by agencies during 2008 demonstrated the benefits arising from advisers working to support budget planning, the documentation of submissions, presentations to central agencies, and in assisting with access to approved allocations.

➤ *Transition Planning and Implementation*

**Implementation January – December 2008**

During 2008, two projects transitioned into TSSP (the Bougainville Coastal Trunk Road Project Exit Phase, and the Transport Sector Support Program Interim Phase). The planning and agreements that were negotiated led to transition arrangements being acknowledged as seamless by involved stakeholders.

TSSP has developed issues tracking tables, to identify the lessons learned and where responses may need to focus, particularly in the financial management arena. This was most relevant in transitioning TSSP IP as illustrated in Annex 4.

**Planned activities January – December 2009**

The experience gained from transitioning two projects into TSSP during 2008, is informing transition planning for the Key Roads for Growth Project (KRFG) for which planning meetings commenced during 2008 and will escalate during 2009.

➤ *Communications*

**Implementation January – December 2008**

The TSSP Communications Plan and Procedures was updated in October 2008 to reflect the lessons learned during the first 12 months of operations. Changes are relatively minor and centre on frequency, style and timing of meetings in enabling a better response to partner agency, management, and adviser practice needs.

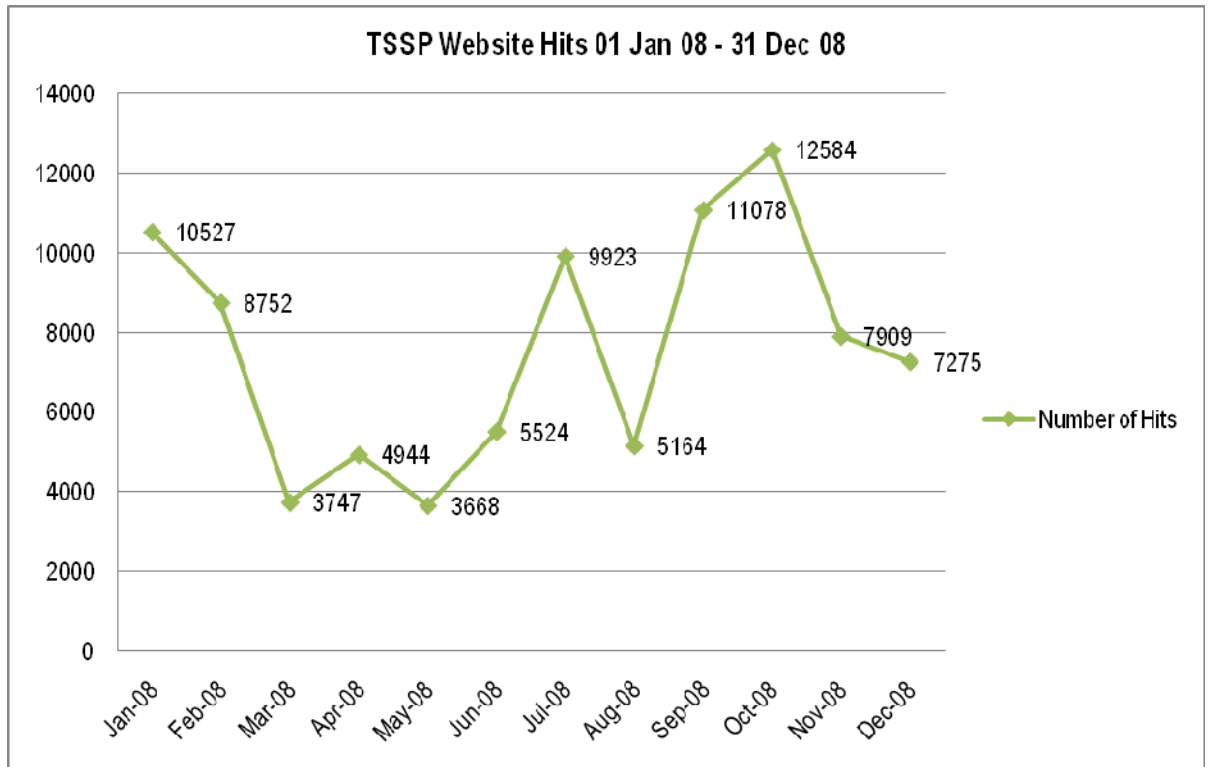
At the request of the DoT, the number of TSSP newsletters has been reduced to one each year, with the Program supporting the DoT with the production of newspaper spreadsheets around key themes and issues of relevance to the TSCMIC. The first spreadsheet was published in November 2008 with TSSP obtaining additional copies for partner agencies.

Engagement with partner agencies has increased markedly. Primarily this has been:

- With heads of agencies in supporting TSCMIC planning and direction setting; in maximising opportunities under TSSP; and in monitoring adviser fit and support for organisational strengthening
- With senior agency personnel in relation to developing and/or amending and monitoring annual assets maintenance workplans and associated cashflows
- Around key governance areas such as public sector reform, public sector expenditure and procurement, capacity building, financial management and reporting, data collection and analysis, and a review of monitoring indicators
- Supporting agencies with the selection, orientation, embedding and monitoring of advisers
- Through counterparts in both line/central agencies and in key provinces in advancing provincial transport infrastructure priority planning through DoT, and project management through DoW.

The TSSP website has been reviewed and revitalised during June 2008, with reports and strategies made available.

Three new areas have been added to the menu: monitoring and evaluation, capacity building, and a pass-worded section so that TSCMIC members/heads of agencies can access more confidential reports and information. A graph showing the number of times the website has been visited, each month from January to December 2008 follows. Peak visit (website 'hit') months align closely with heightened recruitment activities.



#### Planned activities January – December 2009

Team and agency meetings will continue to reflect agency priorities, needs and foci areas.

Reporting and activity monitoring will become increasingly important in demonstrating capacity development and institutional strengthening, and in identifying gaps or challenges where this is slower to occur. The Program will produce an annual newsletter and support DoT with the production of newspaper spreadsheets. The TSSP website will continue to be reviewed and updated.

Advisers will assist agencies consider and where possible map agency communication strategies and/or outlets with a view to determining government, industry, provincial, non-government organisation stakeholders and possible methods of enhancing information distribution.

➤ *Security and Safety*

**Implementation January - December 2008**

The TSSP Safety, Security and Emergency Plan was updated in October 2008. Changes encompassed the:

- Management of critical incidents following the introduction of new protocols by AusAID in September 2008
- Experience gained during the first year of Program implementation.

Pre- and post mobilisation security briefings continued to be provided to all incoming personnel and, when in country, family members.

Protect Security continued to provide services to the Program and its personnel (briefings, radiophones, static guard). Protect radiophone coverage has been extended to cover areas other than Port Moresby (NCD). These include township areas of Lae (out to Nadzab), Madang, Goroka, Mt Hagen and Rabaul.

During 2008, twenty safety incidents were experienced by TSSP personnel (these encompassed incidents such as accommodation and car break-ins; armed car-jacks and attempted car-jacks; theft of property; and the death of an adviser).

**Planned activities January – December 2009**

Security and safety will remain a priority, with inductions and briefings for incoming personnel (and their families), and routine updates for existing personnel. The *TSSP Safety, Security and Emergency Plan* will be monitored and, if necessary, reviewed.

Safety drills will continue for TSSP Boroko Office personnel.

**1.2 - 1.4: Reports, Procedures, Plans and Strategies<sup>17</sup>**

**Implementation January - December 2008**

The TSSP Scope of Services required the submission of a number of reports within set timelines. Additional reports have been provided as a result of TSSP initiatives (such as the TSSP Adviser Situation Analysis Review and Adviser Feedback Survey).

During the past 12 months, over 26 major reports, plans, workplans and/or strategies have been accepted by AusAID and/or the TSCMIC. A summary of TSSP reporting is provided in Annex 5.

These reports were supplemented by reporting which is specific to agency and TSSP management needs, for example provincial trip reports and technical reports (such as IT capacity, TSSP GoPNG Governance and Capacity Building Studies).

Major reports have included:

- Independent Audit Report of all TSSP Trust and Imprest Accounts
- Socio-Economic Study : TSSP Provinces Baseline Report
- TSSP Annual Plan April 2008
- TSSP Annual Plan 2009

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<sup>17</sup> 1.2 Prepare an Inception Report; 1.3 Establish Program and financial planning, management and management information procedures; and 1.4 Prepare Plans and Strategies)

- TSSP Adviser Situation Analysis Review
- TSSP Adviser Feedback Survey
- TSSP HIV and AIDS Strategy and Implementation Plan
- TSSP Program Annual Performance Report and ISP Performance Report
- TSSP Progress and Quarterly Financial Reports
- TSSP Program Procedures Manual (integrating the Contracting Strategy and the Quality Assurance Plan)
- Gender Strategy and Implementation Plan.

Additionally, three reports have been reviewed and updated:

- Communications Plan and Procedures
- Recruitment Strategy
- Safety, Security and Emergency Plan.

Further reviews to the Financial Procedures Manual and associated sub-manuals have occurred and will continue during 2009, to reflect the lessons learned as a result of the independent financial audit.

Two new TSSP office policies have been developed, agreed with office based personnel and are in process of being implemented. These are available through the TSSP website (TSSP Anti-Bullying and Anti Harassment Workplace Policy; and TSSP HIV and AIDS Workplace Policy).

The Inception Report, provided to AusAID in January 2008, formed the basis for negotiations regarding contract amendments. These primarily related to changes in personnel inputs and the associated costs. These have been under consideration within AusAID since Q3, 2008.

The TSSP Activity Schedule (refer to Annex 6) and Personnel Schedule (refer to Annex 7) reflect those changes agreed during 2008. Other changes are included in the TSSP Change Frame 2008 at Annex 8.

AusAID has agreed to an amended reporting schedule, which replaces Quarterly Progress Reports with a Six-Monthly Progress Report each June, with the requirement for an Annual Plan remaining each December. Monthly and Quarterly Financial Reports continue.

#### **Planned activities January – December 2009**

Reports due for submission during 2009 include:

- TSSP Annual Plan 2009-2010
- TSSP Annual Performance Report and ISP Performance Report
- TSSP Six-Monthly Progress Report
- TSSP Monthly and Quarterly Financial Reports
- TSSP Draft Handover Plan
- Independent Audit Report of all Trust and Imprest Accounts
- Baseline Study into the status of Financial Management Capacity within nominated Transport Sector Agencies.

In addition, an analysis and report will be prepared on the implementation of the TSSP Capacity Building Practice Model<sup>18</sup>, including commentary on its application and appropriateness when compared with recent research into capacity development.

All reports and strategies will be updated, as and when required, to ensure currency and the incorporation of any lessons learned. The Office will develop an Equity Policy.

## 4.2 COMPONENT 2: PREPARE AND MANAGE THE TECHNICAL ASSISTANCE FACILITY

### *Strengthen public sector management*

#### *Sector Overview*

The *TSSP Adviser Situation Analysis Review*, provided to agency personnel and available through the TSSP website, provides a general snapshot of the issues and challenges confronting transport infrastructure agencies and the priorities and opportunities available to advisers. This Annual Plan does not attempt to reproduce those, rather it focuses on the activities that have and/or will take place under agreed annual workplans.

The information in this report is complemented by reporting by agency in the TSSP Annual Performance Report 2008-2009.

#### ➤ *Legislative Reform and Legal Issues*

With the appointment of a TSSP Legal Adviser in June 2008, TSSP has commenced supporting the DoT with its mandate of improving the legislative and regulatory framework for the transport infrastructure sector; in tandem with developing the legal capacity of the sector.

#### **Implementation January – December 2008**

Key legislative reform activities within and across the transport infrastructure sector have involved:

- The production of a Transport Sector Legislative and Functional Analysis of Responsibilities by level of Government (National, Provincial and Local-level), transport mode (Land, Maritime and Aviation) and by key national transport infrastructure agencies. The analysis has identified legislative and functional overlaps, inconsistencies and gaps
- The production of a two year sector-based Legislative Drafting Plan to address a wide range of legislative and functional matters by level of government, transport mode and key national transport infrastructure agencies
- The production of new legislation and regulations to replace the *Harbours Act 1963* to address the areas of Ports regulation, management and safety - the *Ports (Management and Safety) Bill 2008* and the *Ports (Management and Safety) Regulation 2008*. The new legislation and regulations allocate responsibility for Ports regulation, management and safety to three agencies, namely the Department of Transport (General Regulation), National Maritime Safety Authority (Safety Regulation) and Port management and operations to Port Managers (of which PNG Ports Corporation is the largest operator and manager).

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<sup>18</sup> Based on the AusAID Staged Capacity Building Model.

Key legislative reform activities within the DoT have involved:

- The provision of up to date legislation and regulations on the Department of Transport Intranet which has resulted in all Department of Transport staff, including but not limited to the Department's legal personnel, having access – for the first time – to the complete listing and content of all of the National Government's legislation and regulations
- The establishment of a Legal Team within the Department to address the legal needs of the Department and to assist other transport infrastructure agencies across the sector.

### **Planned activities January – December 2009**

Work will continue with the Department of Transport, Department of Works, National Maritime Safety Authority, Civil Aviation Authority, PNG Ports Corporation Ltd and National Road Safety Authority to develop agreed legislative and functional policies and draft legislation, regulations and statutory instruments.

This is an ambitious but critically needed program aimed at providing PNG with the necessary legislative and regulatory framework to assist the GoPNG to create, regulate and maintain an efficient and effective national transport system.

#### ➤ *Policy and Planning*

It is anticipated that the TSSP policy framework will be expanded to include issues relating to disability, which will require the Program to focus more strongly on issues such as road and small boat safety. Comment on other high order policy frameworks is offered under Section 3 *Partnerships for Development*, and Section 5 *Cross Cutting Issues (Environment)*.

Policy and/or Strategic Management adviser positions have been approved for DoT, DoW, PNGPCL and the DNP&M<sup>19</sup>. During 2008 the benefits resulting from enhanced communication between advisers and counterparts in a central as well as line agencies became increasingly evident to host agencies.

### **Implementation January – December 2008**

Across the sector policy progress can be summarised as:

- Submission of the first whole of Transport Infrastructure Development Budget, led by the Department of Transport
- Increased understanding of overarching policies and their linkages (eg MTDS, NTDP and Medium Term Fiscal Strategy - MTFS) a preparedness to articulate policy positions such as the primacy of the need for rehabilitation and maintenance of existing transport infrastructure
- Establishment of a Maritime Sector Working Group in July 2008 which successfully resolved most of the demarcation issues in terms of which agency should be responsible for specific maritime functions
- Strengthening of primary partner agencies corporate and strategic planning
- Adoption of an options paper addressing the provision of public transport in PNG with particular emphasis on the National Capital District. As a result some changes were announced by the DoT in Q4, 2008 with regard to standards, responsibilities and ongoing monitoring
- Supporting the establishment of the Accident Investigation Commission

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<sup>19</sup> The Policy and Planning Adviser position in DoW has been vacant for the majority of 2008 and the occupant of the position in PNGPCL only commenced in November 2008.

- Establishment of the policy development, monitoring and evaluation roles of the DoT into a logical framework, for use within that agency and as a model for other agencies to consider. Annex 9, Policy Development Functional Map refers.

Underpinning the progress and success in these areas has been the complementary attention being paid to the policy development capability across and within agencies. This has manifested itself through features such as:

- Increased inter-agency engagement on budget issues and funding submissions
- The construction of a data-base which is designed to assist DoT report on activities within and across the transport sector.

### **Planned activities January – December 2009**

2009 will see a continued focus on establishing policy development, analysis and monitoring capabilities within agencies; in assisting agencies improve not only corporate and business planning but also the links to overarching policy frameworks.

The preparation of a second sectoral Development Budget Submission will feature highly. To this end TSSP has scheduled a number of preparatory meetings from January 2009 onwards to assist advisers improve planning and the coordination of activities.

A focus will be on assisting sector agencies contribute to policy planning around the emerging Long Term Development Strategies (both 40 and 20 years) the Medium Term Development Strategy, the National Transport Strategy, and Medium Term Transport Plan, all of which are due for release during 2009.

TSSP will enhance its interaction with the NRSC in light of AusAID's increased focus on road safety, consistent with the *Development for All - Towards a disability-inclusive Australian aid program 2009-2014*. More immediately, during 2009, the Program will develop a Road Safety Report for consideration by the TSCMIC.

### **➤ *Human Resource (Development and Management)***

HR advisers are embedded in the DoT, DoW, CAA and PNGPCL. In the case of CAA, this support is extended, through CAA, to emerging business entities, for example PNG Air Services Limited (ASL). Advisers in the NMSA and DNP&M, together with the Public Sector Management Specialist, provide HR advisory support to these agencies on a needs/issues basis.

All transport sector agencies have recently undertaken or are currently undertaking functional reviews and organisational restructures which have, in some but not all instances, slowed progress around predictable change and personnel management concerns.

### **Implementation January – December 2008**

The major activities dependent on adviser assistance/support were:

- Organisation (re)structuring (such as examining/reviewing functions; developing structures more closely aligned with agencies mandate; reviewing and up-dating job descriptions; evaluating gradings/levels of positions and implementing revised structures using GoPNG recruitment processes)
- Improving the quality of payroll data (such as input, internal controls and enhanced management reporting)

- Enhancing the use of and compliance with existing HR policies and procedure in government agencies and, in the case of the Authorities/Corporations, supporting the implementation of better practice HR systems and processes.

### **Planned activities January – December 2009**

All of the activities commenced in 2008 will carry over into 2009. In addition, the following are planned in one or more agencies:

- Training needs assessments to identify skill gaps and to inform the development of annual training and capacity building plans which are more closely linked to job functions
- The development of strategies to address current problems in attracting and retaining suitable applicants to technical and other positions
- Reviewing and strengthening and/or introducing personnel management systems and procedures
- Moving towards the implementation of appropriate performance management mechanisms
- Initiatives to improve staff morale, attitude, and motivation.

### ➤ ***Information and Technology***

Information Technology and Communication Advisers are located with DoW, DoT, and CAA. PNGPCL has received funding for a short IT consultancy, to identify and map out IT needs for that agency.

### **Implementation January – December 2008**

The major activities dependent on adviser assistance/support included:

- Developing/implementing and/or strengthening agency's local area networks (LANs)
- Developing IT Strategic and/or Business Plans
- Developing and or stabilising/improving communication systems and networks, including e-mail
- Instigating effective "IT Service Desks" (Help Desks)
- Identifying the strengths and, in more instances, the risks associated with current IT hardware and commencing discussions within agencies with the aim of allocating budgets to remedy IT system weaknesses
- Developing systems, procedures and manuals, including training packages, in underpinning organisational practices
- Developing concepts and content for agency-based internet sites.

### **Planned activities January – December 2009**

Work commenced in 2008 will carry over into 2009. In addition, the following activities are planned:

- Strengthening and implementing IT policies and procedures
- Identifying and progressing strategic business systems requirements
- Strengthening and/or launching agency intranets and websites
- Providing support to counterparts in maintaining and improving the IT response
- Influencing agency capital expenditure planning with a view to improving the stability and reliability of IT systems.

## ➤ *Financial Management*

Financial Management Adviser positions have been approved for DoT, DoW, PNGPCL and CAA. In the case of CAA, this support is extended, through CAA, to emerging business entities, for example PNG Air Services Limited (ASL). Advisers in the NMSA<sup>20</sup> and DNP&M<sup>21</sup> provide financial advisory support to these agencies on a needs/issues basis, and in the case of DNP&M has assisted strengthen central and line agency communication channels with regard to budget planning and the presentation of submissions.

During 2008 advisers concentrated on assisting agencies:

- Address deficiencies in basic financial planning and reporting (such as the preparation of financial statements, adequate planning and budgeting, poor internal controls to monitor cost expenditures and weak reporting against expenditures, including bank reconciliations)
- Improve compliance and reporting in responding to audit investigations and reports
- Strengthen transparency and accountability around reporting on the use and distribution of funds contained within trust accounts
- Develop the capacity of existing financial personnel, and assist agencies recruit suitably qualified financial personnel

### **Implementation January – December 2008**

Due to adviser turn-over in DoT, CAA and PNGPCL, anticipated financial support within partner agencies has been slower than anticipated.

The following areas/activities of adviser assistance, which commenced during 2008, therefore relate primarily to DoW and, to a lesser extent, DoT:

- Assisting with the development of plans, records and budgets for the transport sector as a whole, including the identification and improved management of existing Trust Accounts. This assistance contributed to an improved total GoPNG budget allocation across the transport sector, particularly DoW. Notwithstanding an increased allocation it should be noted that agencies classified as public bodies (state owned enterprises) agencies were not significant beneficiaries (eg CAA, PNGPCL).
- Commencing the process of assisting agencies to improve the standard of monitoring and reporting both within the agency and to central agencies
- Assisting agencies to improve the level of awareness of the requirements for effectively managing major recurrent expenditure and in developing the tools, techniques and procedures required to better manage these activities
- Assisting agencies prepare responses to recent audit reports from the Auditor General's Office [AGO] and improve associated procedures/practices as a result of the audit findings.

### **Planned activities January – December 2009**

Recruitment activities for unfilled Financial Management Adviser positions will take place, with the expectation that these positions will be filled by Q2 2009. Work will then commence in assisting the statutory authorities to improve areas which are identified as requiring priority assistance following the completion of the situation analyses and build on the financial management support that had already commenced in DoT. With this in mind, work commenced in 2008, together with other activities requiring adviser support, will continue and/or commence in all agencies during 2009.

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<sup>20</sup> Maritime Safety Adviser

<sup>21</sup> Policy and Planning Adviser

### 2.1.1: Priority Tasks

The SoS identified four priority tasks<sup>22</sup> for completion during the first three months of Program operations.

All four were completed with final reporting in the TSSP Annual Plan 2008 although, for a variety of reasons, some took up to six months in coming to fruition as tracked through previous Quarterly Progress Reports.

It has been agreed<sup>23</sup> that reporting against these four priority tasks would occur under implementation areas rather than separately from April 2008 onwards (for example under *2.1.3: Identify priority TA needs and procure services*, or *2.2 Strengthen asset maintenance planning and programming*).

### 2.1.2: Initial Review and Institutional Needs Assessment of Sector Agencies

#### 2.1.3: Identify priority TA needs and procure services

#### 2.2.2: Identify and procure TA services required for maintenance planning and programming

### Implementation January – December 2008

Following TSCMIC's endorsement in November 2007 of the TA program<sup>24</sup>, emanating from the initial needs assessment of agencies, the Program entered the "*ramping –up phase*" involving a major campaign to procure TA services. This phase of the Program also involved an intensive orientation and induction program for all new advisers prior to embedding them into their respective agencies.

During 2008, the technical assistance needs of the sector were repeatedly monitored through ongoing discussions with heads of agencies and their senior staff. These discussions resulted in the identification of an additional three adviser positions, extending the duration of an existing adviser position and the funding of three short term consultancies. Details follow:

- A Strategic Management and Business Development Adviser for PNGPCL
- A Senior Road Maintenance Engineer Adviser for DoW
- A Project Management Adviser for PNGASL
- Extension of the Legal Adviser in DoT to the 30 June 2010 (originally a 12 month appointment)
- Providing funding for short inputs from a Database Consultant for DoT, and an IT consultancy and a Strategic Ports Review and Development Plan consultancy for PNGPCL.

Briefings have been provided to, and TSCMIC endorsement obtained for changes.

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<sup>22</sup> Implementation of the Performance Grant Funds under the PNG-Australia Development Country Strategy; Handover of the Transport Sector Support Program – Interim Phase ; Identification and procurement of a Port Operations Manager for Lae Port in consultation with PNG Ports Corporation and the Asian Development Bank (ADB), Development and implementation of the transition plan for the Bougainville Coastal Trunk Road Project – Exit Phase.

<sup>23</sup> TSSP Annual Plan, April 2008

<sup>24</sup> A total of 40 positions were endorsed - 29 advisers, 3 contractors, 3 in-line positions and 5 other staff positions.

It has not proved easy to attract suitably qualified applicants to advisory positions, particularly in the engineering field, however the majority of adviser positions have now been filled, as a result of perseverance and some more innovative recruitment strategies.<sup>25</sup>

A summary of the status of the recruitment and selection activities for the complete TA program is at Annex 10.

Figure 2 provides a statistical breakdown of the positions advertised by agency (including those re-advertised), applications received, number of applicants interviewed and appointments made.

Agency	No. of Male International Applicants		No. of International Female Applicants		No. of National Male Applicants		No. of National Female Applicants		Total Applicants		Total No. of Appointments	
	R	I	R	I	R	I	R	I	R	I	M	F
DoW (10 positions)	132	28	9	1	24	2	0	0	165	31	9 <sup>26</sup>	-
DNP&M (1 position)	15	3	2	-	2	-	-	-	19	3	1	0
DoT (5 positions)	65	10	8	3	14	2	2	1	89	16	3 <sup>27</sup>	-
CAA (5 positions)	72	18	10	3	14	1	2	0	98	22	4	1
PNGASL (1 position)	38	3	0	0	0	0	0	0	38	3	1	0
PNGPCL (6 positions)	84	16	6	1	18	2	2	1	110	20	6	0
Total (28 positions)	406/ 519	78/ 519	35/ 519	8/ 519	72/ 519	7/ 519	6/ 519	2/ 519	519/ 519	95/ 519	24/ 28	1/ 28
	% 78.2	% 15	% 6.7	% 1.5	% 13.9	% 1.4	% 1.2	% 0.4	% 100	% 18.3	% 85.7	% 3.6

Figure 2: Statistical break-down of TSSP applicants by agency (KEY:R=Received, I = Interviewed)

The number of female and national applicants remained low with only 41 applications (7.9%) received from females and 78 from nationals (15%). Of these, only one female appointment has been made, despite interviewing a number of women. Subsequent to an interview round, one other female candidate declined the offer of employment. To date 10 women have been interviewed for positions on the Program (8 internationals and 2 nationals).

The TSSP Gender Strategy and Plan<sup>28</sup> recommends inputs from a Gender Consultant, who will, among other tasks, be required to assist the Program review recruitment strategies and processes with the aim of assisting TSSP improve the number of suitably qualified and experienced female candidates.

<sup>25</sup> Such as concurrently seeking expressions of interest from a range of firms who may be able to provide engineering services on a sub-contract basis, as well as continuing to expand advertising by reaching into professional associations and local and state government arms, and encouraging applications from people who, while highly experienced in the technical field might be considered less experienced in development work.

<sup>26</sup> Recruitment action to fill vacancy arising from the resignation of the Policy and Planning Adviser was unsuccessful. Position re-advertised in December 2008.

<sup>27</sup> Recruitment action to fill vacancy arising from resignation of Strategic Management Adviser put on hold at the request of the Secretary.

<sup>28</sup> The TSSP Gender Strategy and Plan was submitted to AusAID in December 2008 and is subject to AusAID approval.

Additionally, during 2009 structured interviews will commence (by email and/or telephone) with every female candidate (whether short listed or not) to determine the factors that attracted their attention and what might be changed within the Program in assisting improve gender representation.

All of the advisers embedded in their respective agencies prior to November 2008 have completed agency-based situation analyses. The information collected formed the basis for development of adviser annual workplans, which were reviewed and amended/approved by agency heads. Progress against outputs/deliverables were and will continue to be reported on a monthly basis and the details used to inform the TSSP monthly exception reports, six-monthly reports and the Annual Plan.

With the recruitment of the majority of advisers completed, the TSSP capacity building framework (Annex 11 refers) that is, the development, endorsement and implementation of the technical assistance (TA) program, is all but complete.

With the greater majority of advisers being embedded in all agencies and the detailed planning completed; TSSP was well placed to commence implementing the second component of the framework; namely the *Staged Capacity Building Model* (refer Annex 12). Activities undertaken include:

- Gaining TSCMIC endorsement of the approach and, in DoT and DoW, Executive Leadership Team agreement to commence implementation in 2008
- Delivering introductory information sessions during all adviser induction programs, and more intensively to groups of advisers within agencies
- Revising documentation relating to the model to better fit the PNG context after work shopping the process with DoT and DoW advisers
- Completing a pre-implementation risk assessment in both Departments
- Conducting separate workshops with DoT counterparts and advisers (August 2008) and DoW Corporate Service Divisions counterparts and advisers (October 2008) to introduce the model and process involved in developing capacity building plans.

As a result, capacity building plans were developed, and are progressively being implemented, for 11 work groups in the DoT and 12 work groups within the Corporate Service Divisions of DoW.

Monitoring and evaluation is an important feature of the model. The first of the ongoing reviews for counterparts and advisers to assess capacity improvement is scheduled for completion by mid December 2008, in the case of DoT and end March 2009 for DoW. These reviews will also encompass the updating of capacity building plans for the following quarter.

The planned roll-out of the staged capacity building model to other agencies was deferred until the first half of 2009 due to reasons which included the need for advisers to be given sufficient time to build good working relationships with their counterparts, the restructuring of agencies, and the time taken to recruit substantive occupants to a number of counterpart positions.

#### **Planned activities January – December 2009**

Future technical assistance requirements of the sector agencies will be monitored and as additional needs are identified, detailed scopes of services developed and proposals submitted to TSCMIC for consideration.

Planned activities relating to the ongoing procurement of TA services include:

- With and for DoW:
  - Recruiting a Policy and Planning Adviser, a Roads Design Engineer Adviser, Contract Administration Adviser, and a Quality Control/Materials Testing Adviser
  - Implementing an internal audit co-sourcing arrangement
- With and for DoT:
  - Recruiting a Financial Management Adviser and an IT and Communications Adviser
- With and for PNG Ports:
  - Recruiting a Financial Management Adviser
- Mobilising, inducting and embedding successful applicants within their respective agencies.
- Continuing the roll-out of the staged capacity building model. This will involve the Public Sector Management Specialist (PSMS) in:
  - Seeking the endorsement of the Executive Management Teams of CAA, ASL, PNGPCL and NMSA to enable implementation to commence in these agencies
  - Delivering ongoing training sessions and workshops on the model and process to advisers and their counterparts
  - Providing each adviser with up to date documentation sets on the model and other associated capacity building material
  - Supporting advisers with the implementation of the various steps in the process, including facilitating introductory workshops with senior staff and counterparts of the various agencies
  - Monitoring, reviewing and refining the process, as required
  - Analysing and reporting on progress to improve capacity
  - Feeding results into TSSP six-monthly reports, Annual Plans and Annual Performance Reports.

To support and compliment capacity building efforts, the PSMS will also engage with local training providers to establish the range of programs available and in determining their ability to meet the training needs identified either within individual agencies and/or relevant across the sector. The feasibility of establishing a transport sector scholarship scheme will be explored and, if supported, a system will be developed to enable implementation in 2010.

## **2.2 *Strengthen asset maintenance planning and programming***

TSSP is working with all relevant line agencies to strengthen asset maintenance planning, implementation, monitoring and reporting. Asset maintenance workplans for 2008 are in place and being monitored with the DoW, CAA, ASL and the NMSA. The development of 2009 asset maintenance workplans took place during the fourth quarter 2008 with project scoping and tender documentation commencing in the first quarter 2009.

All 2009 asset maintenance workplans have been developed on the basis of anticipated funding in Q4, 2008. These workplans will be reviewed before June 2009 and adjusted should additional funding become available.

## Implementation January – December 2008

TSSP planning and programming during 2008 was focused on:

- Road maintenance and rehabilitation on the NTDP 16 priority national roads within nine provinces, under agreed workplan with the DoW, with an AusAID funded maintenance expenditure of approximately PGK78 million in 2008
- Road maintenance and rehabilitation on the Bougainville Coastal Trunk road (BCTR) and other priorities in Bougainville with an AusAID funded maintenance expenditure of approximately PGK19.6 million (AUD8.1 million) in 2008
- Funding of around PGK2.7M to assist PNG Ports to maintain the Bougainville Buka Wharf, and to undertake a strategic review of main ports
- Scoping and tendering the Mai-Nuku Road Upgrade, Sandaun Province, at an estimated PGK9 million. Note this is a GoPNG / AusAID jointly funded project with an AusAID component of PGK3 million.
- Planning for the Wabag to Wapanamanda Rehabilitation Enga Province, estimated between PGK28-34 million depending on the source of base course materials. Note this is a jointly funded GoPNG / AusAID project with AusAID providing 50% of funding.
- Planning for the Oro Bridge Design Consultancy for the reconstruction of four bridges devastated by cyclone Guba in November 2007
- Upgrading air services systems and runways, under agreed workplan with CAA and ASL, at an estimated PGK27 million
- Upgrading NMSA PNG Maritime Radio Communications System (including the Global Maritime Distress and Safety System) at a total cost of around PGK2 million.

### ➤ *Department of Works*

TSSP continued assistance with the management and implementation of the 2008 maintenance works program and assisted DoW develop the 2009 maintenance work plan. The Road Maintenance Management Specialist (RMMS), as the Agency Co-ordinator, had a team of engineering advisers embedded in the DoW these being a Contract Administration Adviser (commenced May 2008), two Road Construction Engineer Advisers (RCEA both commenced April 2008) and a Road Asset Management System Adviser (RAMSA commenced September 2008). The team of advisers provided assistance in maintenance planning, project scoping, tender development, tender evaluation, project implementation and administration. To assist with financial monitoring, administration and reporting of AusAID funded DoW projects TSSP also engaged a Financial Control Specialist (commenced in late 2007).

In addition to project-based assistance TSSP is primarily charged with improving capacity and governance, as such the main focus of our activities has been to improve the process rather than the outcome. With this in mind, key achievements in 2008 included:

- Assisting DoW with the establishment of a new Contracts and Procurement Branch. The Contracts Administration Adviser has taken a lead role in this reorganisation, but due to the slow implementation of the whole of agency restructure a full complement of DoW staff is yet to be realised for the Branch
- Consulting with DoW counterparts in reviewing and revising DoW tender evaluation criteria and with the aim of providing a more robust financial assessment of tenderers

- Consulting with DoW counterparts to review and revise DoW standard contract documentation. This is a work in progress with more substantial changes expected in 2009 after more in depth counterpart and other donor agency involvement, with a goal of standard contract documents for all DoW contracts
- Establishing a Construction Industry Capacity Database to record and monitor contractor performance
- Development of a scheduling model for the strategic budgeting of the routine maintenance. In 2008 this was used for the DoW 2009 Budget presentation to Treasury and was instrumental in routine maintenance now being considered a recurrent item in the DoW Budget
- RCEA Provincial site visit reports documenting DoW capacity and progress being tabled to DoW senior executive, and being used to improve DoW internal reporting
- Assisting DoW in strengthening financial administration and the improvement of the contractor payment claim process involving DoW provincial and head office staff.

One disappointing aspect of project programming and project implementation was the slow response from DoW provincial works offices with regard to scoping projects, the production of tender documents and the evaluation and awarding of tenders.

This was primarily due to:

- The extensive changes in provincial staffing associated with the ongoing restructure and new appointees becoming familiar with their roles and responsibilities
- The lack of counterpart contribution in the new Contracts and Procurement branch of DoW. It is hoped that with the finalisation of the DoW restructure, appropriate resources will be made available to this branch and the tender assessment and award process will be improved during 2009.
- The change in focus under TSSP to a capacity building approach with a move away from simply getting the job done. This has required greater counterpart participation than occurred under previous donor funded projects and has involved some delays in the short term whilst building towards greater sustainability.

It is anticipated that once the restructure of the DoW is completed and staff are appointed to their permanent positions, they will more strongly identify with required roles and responsibilities, thus better positioning TSSP advisers to assist with performance improvement in project planning and implementation.

Of the PGK200 million (approximately) of AusAID funding that was available for DoW projects in the 2008 workplan (including funds from TSSP-IP, 2007 Performance Grant, TSSP funding and IFGI funding) only PGK131 million (approximately) was committed to projects by the end of 2008. However approximately PGK78million only of the total PGK200 million was expended in 2008. This was directly linked to the capacity of DoW to scope, tender and monitor asset maintenance roadworks; and to a lesser extent to the number of contractors able to tender for and manage projects in a satisfactory and timely manner. The issue of industry capability will be further considered in 2009. A summary of available and committed funding for DoW follows:

Department of Works		
Available funding 2008	Committed project funding 2008-2009	Actual funding expended 2008
PGK 200 million Source: Annual Plan 2008	PGK 131 million	PGK 78 million

The current devaluation of the Australian dollar against the PNG kina has impacted on the actual funds available in the second half of 2008, as distinct from those originally anticipated when the workplan was originally agreed late 2007. This has required road works to be re-prioritised and in some cases deferred. The DoW Asset Maintenance Expenditure Summary 2008 is included as Annex 13 and provides further detail.

## Planned Activities January – December 2009

### Department of Works

Within DoW, the engineering group of advisers will be strengthened in 2009 with the appointment of a Senior Road Engineer Adviser, a Road Construction Engineer Adviser; a Bridge Design Adviser<sup>29</sup> and a Road Design Engineer Adviser. This will assist DoW improve, more speedily, engineering capacity. The recruitment of a Policy and Planning Adviser<sup>30</sup> will assist the Secretary strengthen capacity in the policy arena, and the appointment of two Financial Officers will support TSSP management of AusAID funding through the DoW.

The anticipated activities associated with asset maintenance planning and programming to be implemented during 2009 includes:

- Formal evaluation of DoW Procurement processes
- Assisting DoW with the establishment of a new Contracts and Procurement Branch
- Assisting DoW implement and monitor the expenditure of the 2009 Budget funds
- Collection of unit rate information for routine maintenance and capital maintenance from the Provinces
- Replacement and repair of data collection equipment, then collection of International Roughness Index (IRI) data for all Key Roads and National Roads (as DoW funding permits)
- Developing 2010 asset maintenance works plans for 16 Priority Roads based on the IRI
- Preliminary HDM 4 modelling for 16 Priority Roads.

In addition, TSSP will also focus on:

- In consultation with DoW Principal Field Coordinators and Provincial Works Managers, developing checklists and standard documentation to assist DoW provincial staff to streamline project programming, scoping and tendering activities
- Assisting DoW to improve procurement processes and requirements in accordance with the DoW Operation Division Procedure Manual, the *Public Financial Management Act* (PFMA) and the Central Supply and Tenders Board (CSTB) Procurement Manual
- Assisting DoW to implement procurement strategies in relation to the Construction Industry's Capability to meet the needs of Works and Services
- Assisting DoW to improve quality and content of Standard Bid Documents, in collaboration with other donor agencies.

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<sup>29</sup> Approval was granted in Q4, 2008, for SMEC International to provide bridge design team advisory services, with the exhaustion of all other recruitment options.

<sup>30</sup> The Policy and Planning Adviser position has been vacant since August 2008.

## ➤ *Provinces*

### *Provincial Planning*

Adviser activities in the provinces are largely occurring through the:

- DoW with engineer advisers regularly working within 10 Provinces to improve planning, monitoring and reporting (refer earlier Section 2.2)
- PNGPCL with the Lae Port Operations Adviser, with policies and procedures being both implemented and piloted for extending to other Ports
- DoT through the activities of the Provincial Policy Planning Adviser.

The remainder of this section focuses on the activities within the DoT in assisting approved priority provinces to better plan and prioritise transport infrastructure services, within Provincial Development Plans.

### **Implementation January – December 2008**

Key activities during 2008 included:

- Reviewing provincial capacity and reaching agreement to focus on Sandaun, Eastern Highlands, East New Britain and Milne Bay Provinces during Phase 1.
- Obtaining endorsement to work closely with the Provincial Local level Service Monitoring Authority [PLLSMA], Provincial Performance Improvement Initiative [PPII], AusAID Sub National Initiative [SNI] and the DNP&M in gaining a coordinated and supported approach; noting that all four priority Provinces are strongly supported by PPII and PLLSMA.
- Commencing engagement with all priority provinces
- As a member of a delegation that included the DoT, DoW and TSSP, initiated discussions with the (then) Bougainville A/Chief Administrator to commence planning the development of a prioritised transport infrastructure plan for Bougainville
- Providing a situational analysis for Madang and Morobe, two of five provinces identified for priority attention during Phase 2 (other Phase 2 provinces are Western, New Ireland, and Central)
- Assisting Madang and Morobe Provinces to complete the transport infrastructure component of respective Provincial Development Plans

These activities demonstrated inherent challenges which have largely been grouped as:

- Poor performance management and project management expertise
- Limited administrative and organisational capacity at the national level to support provincial work.

### **Planned activities January – December 2009**

- Continuing to extend DoT support to priority provinces and the development of prioritised transport infrastructure planning
- Strengthening linkages with Provincial Administrations and key personnel; PLLSMA and the DNP&M
- Reviewing and strengthening the capacity of DoT personnel to support provincial transport infrastructure planning, including by formal studies.
- Developing a communication strategy with the aim of better coordinating provincial transport planning at all levels
- Reviewing and redeveloping a national Key Performance Indicator database.
- Assisting Bougainville with the review and development of a prioritised transport infrastructure plan.

### *Oro Province: Kokoda*

A PNG Australia Joint Understanding on Kokoda and the Owen Stanley Ranges was signed in April 2008 which sets out a package of assistance: health, education, community development, water supply/sanitation and transport.

TSSP provided a representative to the joint PNG-Australia Mission that undertook initial consultations along the Kokoda Track and contributed to the subsequent report. TSSP continues to liaise with AusAID representatives to facilitate the deliberations of the taskforce.

## **2.3 *Manage the delivery of maintenance programs***

The current global financial situation and associated fluctuation in exchange rates - particularly between the Australian dollar and PNG kina - may necessitate some adjustments to the transport infrastructure funding allocated through AusAID -TSSP for 2009 asset maintenance. By way of foreshadowing this possibility, agencies have been advised of the need to review and possibly reprioritise 2009 project workplans.

Regular monitoring and possibly further re-prioritisation may prove necessary during 2009.

### **Implementation January – December 2008**

#### **➤ *Department of Works***

The delivery of the DoW maintenance programs falls within the responsibility of the Operations Branch in Head Office and the Provincial Works Offices in the provinces. The RMMS and DoW engineering advisers provided assistance to the First Assistant Secretary Operations and associated Head Office staff and in the provinces, Provincial Works Managers and provincial staff. This required extensive provincial travel by the Road Construction Engineer Advisers and to a lesser extent by the RMMS. These responsibilities reduced the time available to the RMMS for a more strategic role in DoW and a review determined that the appointment of a Senior Road Maintenance Engineer Adviser would assist the senior counterpart within the DoW with maintenance program management, and in coordinating the efforts of the engineer advisers in building critical mass within the agency.

During 2008 TSSP advisers have had the opportunity to review current practices and procedures in DoW and generally found that while good systems and procedures are documented and in place, they are rarely implemented as required. This is largely due to reasons which include:

- Insufficient numbers of qualified staff to supervise projects
- Limited training in the use of DoW manuals and procedures
- Limited attention on the importance of compliance with procedures
- Insufficient funding allocated within DoW to the overhead funding required in supporting project supervision responsibilities.

On a more positive note, during 2008 the DoW re-invigorated Principal Field Coordinator positions to provide a stronger link between Head Office and the Provinces. Currently there are two Principal Field Coordinators who are proving invaluable counterparts for the Road Construction Engineer Advisers. It is anticipated that these two positions will be a driving force for change within DoW.

In addition to assistance with maintenance implementation TSSP has:

- Assisted DoW counterparts in ensuring that contractual health and safety (including traffic), and environmental requirements are monitored

- Assisted Provincial and Headquarter staff strengthen project management of contracts, including administrative, financial and quality aspects
- Assisted DoW personnel with the management of PMC contracts within Head Quarters and agreed provinces
- Supported the development of proforma documentation to assist with the securing of funding and contract approvals as well as improve the financial monitoring of these activities
- Actively supporting the reintroduction of the Principal Field Coordinators and reinforced the importance of their roles within the Provincial Offices
- Actively reinforced the requirements of the NTDP, and funding allocations to the 16 Priority Roads.

In regards to maintenance projects the following funding sources make up the AusAID component of DoW maintenance support:

- *TSSP Funded projects*

As noted in Section 2.2, implementation of new TSSP planned projects was impeded due to slow DoW response to project scoping and tender preparation. Only Madang, New Island, East New Britain, West New Britain and East Sepik completed tender documentation for five projects at an estimated value of approximately PGK28 million (note this total excludes IFGI Projects which are documented below). Tenders for four of these projects closed in July 2008, but due to the backlog of other tender assessments and a lack of counterpart staff to assist with the assessment of these tenders, the evaluation was not completed until November 2008. These projects will be ready to commence in Q1, 2009 subject to funding availability. The remaining tender experienced delays due to poor scoping of the work and as a consequence has required many changes to the Bill of Quantities. This tender is now scheduled to close in January 2009.

Refer to Annex 14 for a Summary of TSSP originated DoW Asset Maintenance Expenditure for 2008.

- *Performance Grant*

In January 2008, maintenance activities commenced for nine Performance Grant contracts to maintain/upgrade 125km of road in Central, Milne Bay, New Ireland and Sandaun Provinces. DoW Provincial Works Offices and PMC staff have been supervising these projects which have a total contract value of over PGK67.8million. In addition to the contract value approximately K1 million has been made available for DoW to assist with overhead costs associated with the implementation of these projects.

Contract progress has been slow with most contractors experiencing difficulty supplying the plant and personnel required to complete projects within the estimated timeframe. Only two of the nine contracts achieved Practical Completion in 2008. Giving due consideration to current rates of progress it is anticipated that the remaining projects will be completed in Q2-Q3, 2009.

Annex 15 provides a Summary of DoW Asset Maintenance Performance Grant Expenditure 2008.

- *TSSP-IP and NRBMP Projects*

DoW Provincial Offices and the PMC's have maintained reasonable supervision of these projects. In total, TSSP-IP handed over approximately PGK34.6million of contracted works to be completed under TSSP. During 2008, approximately PGK27.2million of work was completed on outstanding projects, leaving a balance of approximately PGK7.4million project works to be completed in 2009.

In regards to AusAID funded NRBMP works, during 2008 the Pagwi Road Upgrade in East Sepik Province was completed.

The Regravelling and Sealing of the New Britain Highway between Malabunga High School and Gaulim was terminated due to poor project scoping and the contracted works not being appropriate for the condition of the existing road. This section of the New Britain Highway will be re-scoped and the full extent of repairs identified before calling tenders to rehabilitate the road. The only outstanding major work under the NRBMP is the Magi Highway Regravelling and sealing at Pini Range. This project is almost complete with only the final payment to be made once the defects liability period is complete.

One major project that fell significantly behind is the NRBMP Angoram Road Regravelling and Sealing Project in East Sepik Province. This is a fully funded GoPNG project and progress has been sporadic, with three payments made in 2008 totalling PGK1.7million. Advisers within DoW are making every effort in assisting Departmental personnel improve contractor monitoring and performance.

Annex 16 and 17 provide a summary of TSSP-IP and NRBMP Originated DoW Asset Maintenance Expenditure 2008 respectively.

- *Infrastructure for Growth Initiative*

Two projects on the Coastal Highway, East Sepik Province have been identified for IFGI funding. The section from Kreer Junction to Pasan Junction will have pavement repairs, pavement overlay and sealing.

The second project includes adding value to a previous NRBMP project that was for regravelling between Hawaiian and Parom, and is now proposed to be upgraded to a bituminous seal. These projects are currently in the tender processes with construction expected to commence in Q1, 2009. The value of these works will be approximately PGK12million including some additional minor works expenditure. Annex 18 refers.

### Project Management Consultancies

The DoW utilises the services of Consultants to assist in the administration and supervision of projects. During 2008 the DoW had three regions that received this assistance.

PMC	Provincial Responsibilities
PMC 1	Central, Morobe and Milne Bay
PMC 2	East New Britain, West New Britain and New Ireland
PMC 3	Madang, East Sepik and Sandaun

A fourth PMC to assist in the documentation and supervision of the Wabag to Wapananmanda rehabilitation project in Enga province is currently in the tender process. It is anticipated that this contract will be finalised in Quarter 1 2009.

In April 2008, DoW completed Tender Evaluations for PMC2 and PMC3, Cardno Acil was selected as the preferred bidder for both contracts and commenced services on 12 May 2008, with a contract duration of 24 months. The transition from the previous consultant was completed well with minimal disruption to the administration of affected projects.

In December 2008, DoW completed Tender Evaluations for PMC1. CSTB review and approval is expected to be completed in Q1, 2009.

The transition from the previous PMC was not as seamless as with PMC2 and PMC3 with a delay of approximately three months between the end of the previous contract and the new contract. This was primarily due to the lack of counterpart staff in the Contracts and Procurement Branch resulting in a slow tender evaluation and award process.

Performance of the PMC's has been generally good, with the exception of the recently completed PMC1. As noted in previous reports and in TSSP-IP reports, the contractor was assessed as not performing to an acceptable standard and not integrating activities into the DoW operations. In part this was due to the PMC Team Leader and Principal Contractor not being available full time but rather trying to manage this and other contracts concurrently notwithstanding the contract specifically stating that the Team Leaders position is a full time commitment. This is now reinforced during tender evaluations and prior to award of PMC contracts in an effort to avoid this situation in the future.

## **Bougainville**

The Bougainville Department of Technical Services (DTS) in coordination with Road Consult (the Bougainville PMC) implemented the 2008 works program. Due to the very limited capacity within DTS primary responsibility for planning and delivery of the maintenance program is with the PMC.

During 2008 every effort was made to stay within an AUD7.87 million budget allocation to road works in Bougainville, however exchange rate variations between the Australian dollar and PNG kina impacted.

This necessitated ceasing all road maintenance works over November-December 2008 in an effort to remain within the budget allocation, however an over spend of AUD224,000 (including GST) occurred. Funds to cover this over spend are being offset by GST returns and 2009 budget planning.

A summary of 2008 expenditure for the BCTR Project is at Annex 19.

Workplan adjustments provided an opportunity to discuss road maintenance priorities and funding issues more generally during the first Bougainville TSSP Local Coordination Committee (LCC) meeting held in November 2008. This provided a constructive opportunity for stakeholders to review the level of planned maintenance activities and to agree to develop a five year plan that takes into account DoW, ABG and AusAID funding. This meeting also provided an opportunity for the Department of Transport and the ABG to agree on a review of transport infrastructure priorities with the aim of developing a more up to date and achievable plan for Bougainville during 2009.

Following the Bougainville LCC meeting, TSSP, DTS and DoW developed a draft integrated maintenance plan for presentation to ABG and DoW management for endorsement and funding allocation. This integrated maintenance plan is a work in progress and if ABG and DoW provide the required funding, TSSP will have the option of modifying the AusAID component of the 2009 Bougainville maintenance plan to take account of the total package of resources available. These activities have the potential to assist the ABG and DoW to become more responsible for maintenance activities in Bougainville.

The following table summarises AusAID road maintenance funding in Bougainville from 2001-2009.

	Year *								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
AusAID Road Maintenance Funding	AUD 2.3M	AUD 3.0M	AUD 6.3M	AUD 5.2M	AUD 5.2M	AUD 3.9M	AUD 5.6M	AUD 7.8M	AUD 2.5M**

Notes:

\* Years shown above represent calendar and not financial years.

\*\* Funding for Bougainville will increase, in total during 2009 if current planning successfully integrates additional funding ABG and GoPNG DoW. Should this not occur, TSSP will review, and in consultation with AusAID, increase funding commitments.

### *Other Related Activities*

In addition to the management of maintenance activities associated with the DoW and Bougainville 2008 works programs, TSSP has provided the following assistance:

- Co-ordination of a review of materials testing laboratories in PNG. This review was carried out in May 2008 with the Department of Works currently considering the recommendations provided
- Conduct of a pre-feasibility study into the possible realignment of the Highlands Highway in Chimbu Province. DoW, DoT and AusAID reviewed the Pre-Feasibility and a full Feasibility Study has been commissioned. TSSP assisted DoW staff to develop the scope of services, terms of reference and tender documentation required for this important study. The study was advertised for tender on 14 November 2008
- Securing the services of a short term Bridge Design consultant to inspect the flood damage caused to the Yalu Bridge in October 2008 and provide a report on the short and long-term solutions for this river crossing.

- *CAA / ASL*

Following the development of work plans and cash flow projections from CAA and PNGASL, in principle approval was given to the funding of projects estimated at PGK27 million. Progress on implementation of the work plan during the year has however been slow with only one project commencing, owing to limited capacity to implement and manage maintenance projects.

As a consequence the TSCMIC endorsed the appointment of a Project Management Adviser to enhance ASL's capacity to manage projects. This will leave the Aviation Sub Sector Specialist and Financial Management Adviser able to concentrate on assisting CAA improve operations in 2009.

- *NMSA*

NMSA has prepared tender documentation for the upgrading and expansion of the PNG Maritime Radio Communications System (including the Global Maritime Distress and Safety System) at a total cost of around PGK2 million. It is anticipated that requests for tenders will be advertised early 2009 and that work on the project could commence during Q2-Q3, 2009.

- *PNGPCL*

As a result of an inspection/report by the Engineering Department of PNGPCL, the Buka Wharf was closed mid year pending significant repairs. Following an approach from the CEO, PNGPCL for funding assistance to rectify the problems, agreement was given to support the rehabilitation of the Wharf at a cost of around PGK3.5 million.

Tenders are currently in the process of being assessed and, subject to Board approval, work is expected to commence in Quarter 1 2009.

Annex 20 provides a Summary of 2009 Projected Workplan and Expenditure for CAA, ASL, PNG Ports and NMSA.

#### **Planned Activities January – December 2009**

- Continue to support agencies with planning, implementation and monitoring of asset maintenance workplans, for both AusAID and GoPNG funded activities, and encourage the development of workplans that encompass the full funding envelope so that all donor funding is encompassed
- Assist partner agencies with the procurement of maintenance contractors for agreed 2009 maintenance workplans
- Assist DoW with the procurement of construction contractors for remaining TSSP funded maintenance works
- Assist DoW with the procurement of a consultant for the Wabag to Wapanamanda Rehabilitation project
- Assist DoW in undertaking the Highlands Highway Feasibility Study
- Assist DoW with the design and tender documentation preparation with regard to the re/construction of bridge/s in Oro Province<sup>31</sup>
- Assist CAA, ASL, PNG Ports and NMSA with the implementation, monitoring and reporting of asset maintenance funded projects
- Assist partner agencies to develop 2010 asset maintenance workplans that accord with national priorities
- Assist the DoW (and DoT) to develop an options paper that identifies the capacity constraints and possible solutions at play in building PNG based contractor capacity to bid for and manage infrastructure projects.

Refer Annex 21 for Projected Workplan and Expenditure 2009, for DoW and Bougainville

### **4.3 COMPONENT 3: ESTABLISH, MANAGE AND ADMINISTER TSSP FINANCING FACILITIES**

The first independent audit of all TSSP trust accounts occurred in November 2008<sup>32</sup>. AusAID approved the Terms of Reference for this Audit in June 2008. The audit was undertaken to confirm whether:

- The TSSP Program Procedures Manual and associated strategies, plans and documents complied with the Program Head Contract and were supported by appropriate implementation and management practices
- Appropriate systems and procedures were in place and Trust and Imprest Accounts were suitably managed, reconciled and reported (timeliness, relevance and accuracy); including in relation to the potential for mis-use or misappropriation of funds
- GoPNG financial systems and processes were being utilised and strengthened, where possible and with appropriate checks and balances.

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<sup>31</sup> It has been determined that 2008 Performance Grant Funding will be allocated to actual Oro Bridge re/construction.

<sup>32</sup> TSSP Contract Specific Contract Conditions required, on every anniversary of the date of contract signature, an independent audit to be conducted of all Trust and Imprest Accounts and all documentation relating to the Accounts for the previous twelve months. AusAID subsequently directed that the date of the independent audit be amended to November each year to adjust around initial funding flows.

The audit findings confirmed that TSSP had established a relatively sound policy and procedural framework and that the audit had found no fault relating to probity or fraudulence.

Notwithstanding this some errors in practice were identified, which can largely be grouped under three areas:

- *Trust Instrument.* The existing Trust Instrument developed for and through the DoW:
  - Limits transaction to those from AusAID rather than enhancing the concept of the sector wide approach by allowing transactions from GoPNG agencies and/or other donors
  - Is titled to reflect AusAID advice rather than reflecting GoPNG requirements
- *Departmental activities.* Actions within and by the DoW were found to be non-conforming to GoPNG requirements
- *TSSP practice.* TSSP practice has not always conformed to the procedures agreed under the TSSP Financial Management Manual and/or sub-manuals; and/ or the manuals are silent on matters the auditor considers important.

TSSP has developed an audit issues tracking report and will, by Q1, 2009 have an agreed process, task allocation and delivery date in place to rectify errors in practice, and update financial manuals.

#### Implementation January – December 2008

During 2008, establishment of the various financing facilities managed or monitored by TSSP was completed.

These facilities were:

Account Name (including subsidiary or drawing accounts)	Bank & Branch
Technical Assistance Imprest Account (AUD account)	ANZ Bank, Cooma
Technical Assistance Imprest Account (PGK account)	BSP, Port Moresby
CAA of PNG TSSP Salaries Account	ANZ, Bank Port Moresby
PNGASL TSSP (TAIA) Account	ANZ, Bank Jacksons
DOW Asset Maintenance Imprest Account – Main Account	BSP, Port Moresby
DOW AMIA - Secondary Account - Boroko	BSP, Port Moresby
DOW AMIA - Secondary Account – West New Britain	BSP, Port Moresby
DOW AMIA - Secondary Account – New Ireland	BSP, Port Moresby
DOW AMIA - Secondary Account - Central	BSP, Port Moresby
DOW AMIA - Secondary Account – East Sepik	BSP, Port Moresby
DOW AMIA - Secondary Account - East New Britain	BSP, Port Moresby
DOW AMIA - Secondary Account - Milne Bay	BSP, Port Moresby
DOW AMIA - Secondary Account – Morobe	BSP, Port Moresby
DOW AMIA - Secondary Account – Madang	BSP, Port Moresby
DOW AMIA - Secondary Account – Sandaun	BSP, Port Moresby

Account Name (including subsidiary or drawing accounts)	Bank & Branch
Bougainville Asset Maintenance Imprest Account	BSP, Port Moresby
BCTRP Advanced Payments Facility	BSP, Buka
Public Bodies Asset Maintenance Imprest Account	BSP, Port Moresby
CAA of PNG TSSP Projects	ANZ Bank, Port Moresby
PNGASL TSSP (INFRAST) Account	ANZ Bank, Jacksons
PNGPCL TSSP Asset Management Imprest Account	BSP, Port Moresby
AusAID-TSSP Global Maritime Distress Safety System	BSP, Port Moresby

Operation of these facilities was governed by specific financial procedures manuals (FPMs) under the broader framework of a TSSP Financial Management Manual (FMM) and a TSSP Probity (Anti-Fraud and Anti-Corruption) Strategy. The FPMs for the DoW AMIA, TAIA and BAMIA facilities were all submitted to, and approved by, AusAID prior to the commencement of the year. A paper outlining AusAID funding options for public bodies in the transport sector was approved in January 2008 and the subsequent PBAMIA FPM approved in April 2008.

These manuals were reviewed and revised in Q3, 2008.

Detailed Quarterly Financial Reports for the quarters ended 31 March, 30 June and September 2008 were submitted to AusAID during the year. The Quarterly Financial Report for the Q4 will be submitted in Q1 2009.

The planned Financial Benchmark Study has been deferred to 2009 as a result of unanticipated changes to FMAs within key organisations.

#### **Planned activities January – December 2009**

Monthly and Quarterly Financial Reports will continue to be provided.

The FMM and associated FPMs will be reviewed in Q1, 2009 in response to recommendations arising out of the November 2008 independent audit. Additionally, the ISP will arrange for internal audits to commence in Q2, 2009 with the aim of introducing tighter quality assurance measures.

Greater support will be provided to partner agencies and FMAs with a view to providing an enhanced level of support in developing/interpreting and monitoring that financial activities are in full accord with manual and procurement requirements.

The baseline study into the status of financial management capacity within DoW will be extended to include other line agencies with the associated report completed during Q2, 2009<sup>33</sup>. It is intended that subsequent PEFA reviews be conducted annually as one means of tracking improvements in financial management performance within the agencies. It is anticipated that PEFA reviews will become a sustainable and continuing tool used by the agencies to monitor their own financial management performance. To facilitate this, the FMS and FMAs embedded within agencies will work with agency staff to improve the availability and quality of the data sources used in PEFA reviews and to develop the capacity of agency staff to undertake the reviews independently.

<sup>33</sup> The Public Expenditure and Financial Accountability (PEFA) framework (as described in Public Financial Management Performance Measurement Framework - PEFA Secretariat, World Bank – June 2005) was adapted for this purpose.

### **3.1 *Establish and manage Technical Assistance Trust Account***

The TAIA was established during 2007 but did not become operational until 2008. The TAIA FPM, originally approved in 2007, was reviewed, revised and endorsed by AusAID in October 2008.

Although the Technical Assistance Imprest Account (TAIA) AUD account had been opened in late 2007, no funds were deposited into that account, or into the TAIA PGK account prior to the commencement of 2008. During 2008 AusAID tranches totalling AUD7.7 million (AUD4.2 million in February and AUD3.5 million in October) were deposited into the TAIA AUD account. In July 2008 AUD300,000 (PGK714,261) was transferred from the TAIA AUD account to the TAIA PGK account.

Financial details of the source and application of funds from both the AUD account and the PGK account are detailed in Annex 22.

From the middle of 2008 the PNG expenses of advisers have been catered for from funds transferred from the AUD account to the PGK account as required and in accordance with budget submissions. Some of this expenditure is being incurred through subsidiary imprest accounts in agencies (TSSP TA Mini-Budget Accounts).

Operating procedures for agency-based Technical Assistance Mini-Budget Accounts (TAMBA) were agreed with AusAID in May 2008. TAMBA's have been introduced to simplify day-by-day operational expenditure by TSSP advisers embedded in each agency, under the guidance and supervision of an agency coordinator with monitoring through the TSSP Office. Budgets reflect adviser workplans and cash flow predictions and are subject to formal approval. Clear guidelines, checks and measures are in place to determine, monitor and report against expenditure.

#### **Planned activities January – December 2009**

The TAIA Financial Procedures Manual will be reviewed Q1, 2009 and on a needs basis.

Current projected expenditure from the TAIA bank accounts for 2009 is AUD17.5 million.

It is anticipated that a further tranche request to AusAID will be submitted in May 2009 to cover the requirements for the second half of calendar 2009.

### **3.2 *TSSP Infrastructure Asset Maintenance Imprest Accounts***

#### **Implementation January – December 2008**

##### ***Department of Works Asset Maintenance Imprest Account***

The DoW AMIA and its subsidiary Asset Maintenance Imprest Drawing Accounts (AMIDAs) became operational from the beginning of 2007 following approval of the FPM by the signing of the necessary trust deed by the Minister for Finance and the opening of the AMIA main bank account at the Bank of the South Pacific (BSP).

TSSP-IP ceased its operations on 31 December 2007. All cash balances on DoW bank accounts operating under the umbrella of TSSP-IP were transferred to the TSSP AMIA bank account on 31 December 2007.

The balances transferred included bank accounts from two projects that preceded TSSP-IP; namely NRRSP and NRBMP, and the balance of the Performance Grant Fund allocated by GoPNG to road maintenance. The transferred balances totalled PGK91.1 million as tabulated following

Project or Program	(PGK)
TSSP-IP	12,541,574.88
Performance Grant	68,939,250.00
NRBMP	5,889,648.66
NRRSP	3,691,935.53
Old AIDAB Account	66,622.72
<b>Total</b>	<b>91,129,031.79</b>

By mid-January 2008, all the subsidiary AMIDAs had been opened in those provinces where AusAID-funded road maintenance work has been approved under current workplans. The roll over of accounts in the DoW Financial Management System was completed by the end of January 2008.

During 2008, AusAID deposited a total of AUD49.4 million (PGK120.5 million) into this account comprising AUD5.0 million (PGK12.6 million) of Infrastructure for Growth Initiative (IFGI) funds in June, AUD35.0 million (PGK85.4 million) of Performance Grant funds also in June, and AUD9.4 million (PGK22.5 million) in support of the normal TSSP-funded DoW road maintenance workplan in July.

Financial details of the source and application of funds from the DoW AMIA account are detailed in Annex 23.

During March 2008, the TSSP Finance Control Specialist working in DoW implemented a *Financial Opportunities for Continuous Improvement Log* (OCIL) to record issues and problems encountered with DoW's management and operation of the AMIA and its subsidiary AMIDAs. This was subsequently reviewed and some improvements implemented. The OCIL is assisting the TSSP prioritise areas requiring adviser support.

#### ***Bougainville Asset Maintenance Imprest Account***

Payments of road maintenance contractors continued to be made out of the Advanced Payments Facility (APF) managed and operated by the PMC contractor using AusAID funds channelled through the ISP-managed BAMIA.

The longer term objective is that an asset maintenance funding facility, similar to the AMIA facility managed and operated by DoW, be established in Bougainville. That objective can only be achieved when Bougainville's capacity to manage such a facility can be demonstrated. A medium term objective would be to establish a funding facility in Bougainville that is jointly managed by the ISP and the agency concerned, with agency personnel taking more and more responsibility over time as capacity is developed.

Following approval by AusAID of the proposed BAMIA FPM and the opening of the BAMIA bank account in late 2007, an initial tranche of AUD467,000 (PGK1.1 million) was paid into the account just prior to the commencement of the year to cover payments for work anticipated to be completed prior to the end of 2007. Further AusAID tranches totalling AUD10 million (PGK20.6) million were received into this account in March (AUD2.5 million or PGK6.9 million), September (AUD2.5 million or PGK5.1 million), November (AUD2.5 million or PGK4.2million) and December (AUD2.5 million or PGK4.4 million).

In addition IFGI funds totalling AUD1.1 million (PGK2.7 million) were deposited into the account during May (AUD504,000 or PGK1.2 million) and June (AUD600,000 or PGK1.5 million). These IFGI funds, which ought to have been deposited into the TAIA AUD account, were retained in the BAMIA and helped bridge tranche transfer delays and a PGK2.2 million shortfall in the kina value of AUD transferred due to the devaluation of the AUD relative to the PGK following the global financial crisis of late 2008.

Financial details of the source and application of funds from the BAMIA account are detailed in Annex 24.

### ***Public Bodies Asset Maintenance Funding Mechanism***

The Scope of Services in the contract between AusAID and the Implementation Service provider (ISP) required that the ISP examine whether the existing Memorandum of Understanding (MOU) between AusAID and the GoPNG applied to the statutory authorities in the transport sector and if not, to develop suitable documentation and processes that provided the same coverage to the GoPNG and AusAID for approval.

A paper summarising the review (*Funding Arrangements for Public Bodies*) was approved on 18 January 2008.

The review concluded that the trust account provisions of the *Public Finances (Management) Act 1995 (PFMA)* were neither appropriate nor necessary for public bodies within the PNG transport sector. In addition, it outlined options for applying AusAID's flexible funding principles within the PNG legal framework for public bodies focusing on the use of AMIA which optimised the use of counterpart systems and processes while minimising risk.

AusAID subsequently considered a draft Public Bodies AMIA Financial Procedures Manual (FPM) in February 2008 and considered it sufficiently robust to enable financial transactions to occur, however also required some refinements due to the implications of related Australian legislation. These refinements were subsequently incorporated.

IFGI funds totalling AUD8.8 million (PGK21.9 million) were deposited into the Public Bodies Asset Maintenance Imprest Account (PBAMIA) during May (AUD4.4 million or PGK10.9 million) and June (AUD4.4 million or PGK11.0 million). Of that total, AUD800,000 (PGK2.0 million) ought to have been deposited into the TAIA AUD account. Future tranche requests will take this into account.

Agency managed dedicated bank accounts, to receive AusAID funds through PBAMIA, were opened at CAA, ASL, PNG Ports Limited and NMSA during the second half of 2008.

Operations of the PBAMIA commenced in early November 2008 with a transfer of PGK1.1million to CAA. Financial details of the source and application of funds from the PBAMIA account are detailed in Annex 25.

## Planned activities January – December 2009

### *Department of Works Asset Maintenance Imprest Account*

The DoW AMIA FPM will be reviewed Q1 2009 and on a needs basis.

Current projected expenditure through the DoW AMIA bank accounts over the next four quarters of 2009 are:

Performance Grant Funds	PGK 24.058 million
Outstanding National Roads & Bridges Maintenance Project funds	PGK 0.017 million
Infrastructure for Growth Initiative funds	PGK 11.616 million
TSSP Standard Workplan	PGK 17.291 million
<b>Total year ending 31 December 2009</b>	<b>PGK 52.982 million</b>

The TSSP document detailing a response to the financial issues identified under TSSP IP and the related financial OCIL, will continue to be used to identify and quantify problems and issues arising from DoW's management and operation of the AMIA and AMIDAs and will assist TSSP prioritise areas requiring adviser support. These issues and problems will be vigorously addressed during 2009. The OCIL will, over time, provide a mechanism for measuring the improvements achieved as a result of the technical assistance provided.

M&E reporting will capture and provide analysis and information on financial as well as other Program activities.

### *Bougainville Asset Maintenance Trust Account*

The BAMIA FPM will be reviewed in Q1, 2009 on a needs basis.

Current projected expenditure from the BAMIA bank accounts, for 2009, totals AUD2.5 million (PGK4.4 million).

### *Public Bodies Asset Maintenance Funding Mechanism*

The PBAMIA FPM will be reviewed in Q1, 2009 and on a needs basis.

Current projected expenditure from the PBAMIA bank accounts for 2009 totals PGK31.409 million. It is anticipated that this expenditure will be funded out of IFGI funds already in hand.

### **3.3 TSSP Challenge Fund Trust Account**

The establishment of a TSSP Challenge Fund is currently on hold. Future action is subject to a decision by the GoPNG and AusAID to proceed with such a facility.

### **3.4 Financial Management and Operation of the Flexible Funding Mechanisms**

#### **Implementation January – December 2008**

During the year establishment of the various financing facilities managed or monitored by TSSP was completed. Some 22 bank accounts (excluding Technical Assistance Mini-budget accounts in agencies) have been opened. These facilities are detailed in Section 3.2.

The operations of these facilities were governed by specific financial procedures manuals (FPMs) under the broader framework of a TSSP Financial Management Manual (FMM) and a TSSP Probity (Anti-Fraud and Anti-Corruption) Strategy. All of these manuals have been approved by AusAID. These manuals were reviewed and revised in October 2008.

Detailed Quarterly Financial Reports for the quarters ended 31 March, 30 June and September 2008 were submitted to AusAID. The Quarterly Financial Report for the quarters ended 31 December 2008 will be submitted in Q1 2009.

Details of the operations of these facilities are provided in Section 3.2.

#### **Planned activities January – December 2009**

- Operations of the flexible funding facilities will continue to be managed and monitored during 2009. The FMM and its constituent FPMs will be revised early in 2009 as necessary to reflect recommendations arising from the audit conducted in November 2008, and on a needs basis thereafter.
- Quarterly Financial Reports will continue to be provided.
- Internal and independent audits will occur.

### **3.5 Feasibility Review of the Proposed Challenge Fund Facility**

A preliminary Feasibility Review of the proposed Challenge Fund Trust Account was completed during Quarter 1, 2008.

While there was some support for proceeding with the Challenge Fund, a number of strategic and planning issues were also identified which suggested the importance of further consideration within AusAID, and ultimately with the GoPNG transport infrastructure agencies and the TSCMIC.

Key issues were:

- A view in some agencies and among some other Aus-AID funded programs that there may be too many different incentive/grant funds<sup>34</sup> and that there might be economies of scale and less capacity strain on agencies if these could be brought together and designed in a more structured and sequenced fashion
- Agencies may not currently have the capacity necessary to manage, monitor and report on projects of significance without increases in internal as well as external resources
- Some doubts regarding the benefits of deducting funds from the assets maintenance and TA funds, to create a third fund
- Suggestions that, should the Challenge Fund become operational, one or two large scale and suitably resourced activities, may be more relevant than a number of smaller activities.

#### **Planned activities January – December 2009**

No action planned, unless so directed by AusAID.

## 5 CROSS-CUTTING POLICIES

### 5.1 *Gender Strategy and Implementation Plan*

#### **Implementation January – December 2008**

The Scope of Services originally required the ISP to develop a Gender Strategy and Plan within six months of the Contract start date. The input was rescheduled for 2008 with AusAID agreement. Preparatory to the input, TSSP undertook a situational analysis and reported on the status of gender planning, implementation and monitoring matters within each of the counterpart agencies.

Following a short input by a Gender Specialist, AusAID considered a draft Gender Strategy and Plan in June and returned same for reworking in July 2008 with a requirement to consider more innovative activities in bringing improvements to gender equity to the sector.

A second input by a Gender Consultant over October and November 2008 resulted in a fresh draft Gender Strategy and Implementation Plan being submitted to AusAID on 11 December 2008.

The reworked Strategy was workshopped with TSSP specialists/advisers and key counterparts from partner agencies prior to submission and carries their endorsement.

During the year, TSSP contributed to an AusAID stocktake on gender and development across AusAID funded programs in PNG. As a result of adviser support, the Department of National Planning and Monitoring has entrenched gender considerations within the funding application assessment process.

#### **Planned Activities January – December 2009**

TSSP will make the Gender Strategy and Implementation Plan available to the TSCMIC for endorsement and to partner agencies for information, once approved by AusAID.

TSSP has proposed a 2 x two month gender consultant input, each year from 2009, to:

- Provide TSSP advisers with the skills required in assisting transport infrastructure sector agencies to introduce, refine/adapt, and monitor gender policies and procedures
- Provide partner agencies with a gender advisory service
- Assist the Program review existing policies and strategies to ensure gender inclusiveness
- Review recruitment strategies and processes with the aim of assisting TSSP improve the number of suitably qualified and experienced female candidates.
- Initiate structured interviews with every female candidate (whether short listed or not) to determine the factors that attracted their attention to TSSP and what might be considered within the Program in assisting improve gender representation.
- Review and update the Gender Strategy and Implementation Plan.

TSSP personnel are supporting the concept of including a Community Engagement Officer in all major transport infrastructure asset maintenance contracts, with responsibilities that might include highlighting the importance of gender (social inclusion) and other cross-cutting policy issues within communities; and to become a conduit for the exchange of information between contractors and land owners.

TSSP plans inviting one transport infrastructure line agency to become a partner in a pilot practice model with the aim of testing initiatives and encouraging good gender practice within other sector agencies.

The TSSP Socio-Economic Baseline Study is monitoring gender-based outcomes and impacts (refer to Monitoring and Evaluation Section for further detail).

## **5.2 HIV and AIDS Strategy and Implementation Plan**

### **Implementation January – December 2008**

The Scope of Services originally required the ISP to develop an HIV and AIDS Strategy and Plan within six months of the Contract start date. The input was subsequently rescheduled for 2008 with AusAID agreement.

The TSSP HIV and AIDS Strategy and Plan were approved by AusAID in June 2008. It has been circulated to transport infrastructure agencies and stakeholders with a view to supporting agencies to develop and/or enhance agency specific plans and the gathering and reporting of associated monitoring and evaluative data. The Plan has been made more widely available through the TSSP website, as has the TSSP Office Policy on HIV and AIDS.

Advisers have been able to assist some agencies strengthen responses during 2008. For example, PNG Ports is in the process of developing a workplace policy, the DoT has formed a specific committee to consider issues as well as providing an education/training facility to all personnel through the intranet, and the DoW is strengthening specific HIV and AIDS requirements within all roadwork contracts. DoT has also undertaken some awareness-raising sessions among staff and participated in recent World AIDS Day events and provided T-Shirts to participating staff. The Department of National Planning and Monitoring has entrenched gender considerations within the funding application assessment process.

The TSSP Socio-Economic Baseline Study is monitoring HIV and AIDS indicators (refer to Monitoring and Evaluation Section for further detail). TSSP M&E annual reporting monitors and reports on agency outcomes.

### **Planned Activities January – December 2009**

TSSP has proposed a 2 x two month HIV and AIDS consultant input, each year from 2009, to:

- Provide advisers with the skills required in assisting transport infrastructure agencies introduce and/or refine/adapt and monitor HIV and AIDS policies, procedures and initiatives
- Provide partner agencies with an HIV and AIDS advisory service
- Consider the relevance of forming an HIV and AIDS reference group to support activities when the consultant is not available
- Review and update the HIV and AIDS Strategy and Implementation Plan.

TSSP personnel are supporting the concept of including a Community Engagement Officer in all major transport sector asset maintenance contracts, with responsibilities that include highlighting the importance of HIV and AIDS and other cross-cutting policy issues within communities; and to become a conduit for the exchange of information between contractors and land owners.

TSSP plans establishing a practice model within one transport infrastructure line agency as a pilot and encouragement for other sector line agencies.

### 5.3 *TSSP Environment Management Framework*

The TSSP Environment Management Framework was developed in Quarter 4, 2007, in consultation with all partner agencies and has been commended by AusAID for its comprehensiveness. It sets out procedures and guidelines to assist agencies and TSSP ensure that activities comply with PNG and Australia relevant environmental laws and policy, as well as supporting the development of good practice. In this context, should there be a legislative conflict, under TSSP contractual obligations with AusAID, the Australian legislation takes precedence.

#### **Implementation January – December 2008**

The Framework was updated to encompass some newly released material made available by AusAID and re-issued to transport infrastructure sector line agencies in March 2008.

Advisers and specialists particularly those in the DoW proceeded to assist agencies consider and/or strengthen environmental practices and planning during the year.

The TSSP Environment Management Framework was reviewed with counterparts in DoW during Q4, 2008 with the aim of ensuring currency, maintaining interest and commitment, and (re)developing an implementation plan, which will gain momentum in 2009.

The TSSP Socio-Economic Baseline Study also raised some environmental issues that have led to planned changes within the DoW. Annex 26 proposes strategies to address the environmental recommendations in the Baseline Report.

Additionally, a Roads Construction Engineer Adviser in DoW has produced a discussion paper on climate change and the implications for the transport infrastructure sector, for workshopping with counterparts during Q1, 2009.

#### **Planned activities January – December 2009**

- Activities within DoW will be strengthened, and the Department used to pilot and promote good practice with other transport infrastructure agencies.
- Environmental practices, flowing from the TSSP Environment Management Framework will receive heightened attention.
- The discussion paper on climate change and the implications for the transport infrastructure sector will be workshopped, refined and the DoW encouraged to disseminate for comment and broader discussion.
- AusAID, through TSSP, will sponsor an Impact of Climate Change on National Development Conference organised by the Institution of Engineers, PNG and the attendance of nominated representatives from partner agencies.
- Further skill enhancement opportunities will be explored under the TSSP Staged Capacity Building practice model.

TSSP personnel are supporting the concept of including a Community Engagement Officer in all major transport sector asset maintenance contracts, with responsibilities that include highlighting the importance of environmental and other cross-cutting policy issues within communities; and to become a conduit for the exchange of information between contractors and land owners.

## 5.4 TSSP Risk Management Framework

### Implementation January – December 2008

The Risk Management Framework (Policy, Plan and Process Guide) was approved by AusAID in December 2007. This Framework was developed in full consultation with and has been provided to partner transport infrastructure sector agencies.

The Risk Management Policy communicates how risk management will be implemented within TSSP. The Risk Management Process Guide describes what steps and their respective associated activities, are necessary to implement risk management. The Risk Management Plan describes the actual risk management process undertaken for TSSP.

Figure 3 illustrates the approach adopted within the TSSP Risk Management Framework and Figure 4 the governance process.

Figure 3: Risk Framework

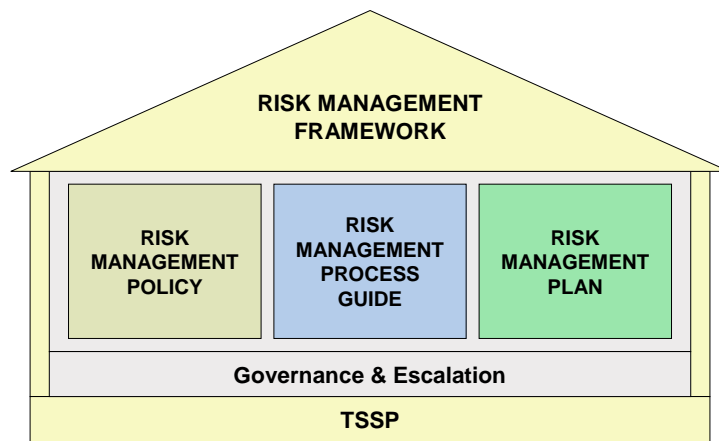
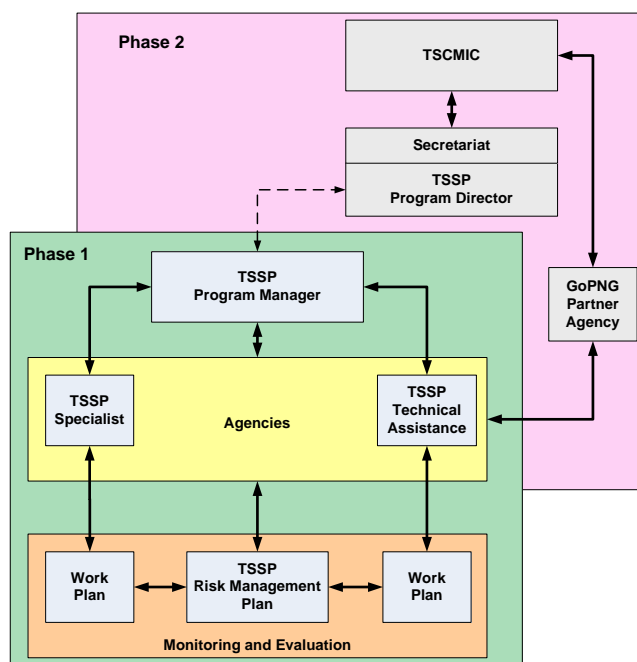


Figure 4: Governance Process



The revised Risk Management Matrix is at Annex 27.

**Planned activities January – December 2009**

A request for an additional month's input from a Risk Management Consultant is under consideration by AusAID. Consistent with other cross-cutting policy issues, this is proposed to:

- Provide advisers and specialists with training to better enable them to assist transport sector infrastructure agencies identify, monitor and plan to mitigate risk.
- Review and Update the Risk Management Strategy.

## 6 MONITORING AND EVALUATION

M&E has a central role in TSSP with the elevated focus upon M&E to effectively and efficiently monitor the progress of development activities. M&E for TSSP informs the TSCMIC on strategic direction, assists the GoPNG identify key programming requirements and resource allocations, assists in determining funding priorities and, over time, assesses the impact of the development assistance provided. In addition, there is a capacity building element required in transferring knowledge to relevant GoPNG transport sector agencies with the aim of strengthening management approaches and promoting positive behaviour change.

### 6.1 *Monitoring and Evaluation Framework*

Three inputs by the TSSP M&ES have been completed since February 2008. Some key achievements over the three inputs include:

- Completion of the TSSP M&E Framework and Report and acceptance by TSCMIC and AusAID in February 2008
- Review and analysis of TSCMIC Strategic Framework in April 2008
- Completion of the first ISP Contractor Performance Survey and associated report in April with a second 6-Monthly Report produced in December 2008
- Oversight of the TSSP Socio-Economic Baseline Study, completed in April/May 2008, with the baseline report approved in July 2008
- Data collection of road maintenance expenditure on behalf of the World Bank as part of a six-nation Pacific Study – April 2008
- Synthesis and review of adviser situation analyses to identify key themes and issues – September 2008
- Preparation, administration and reporting on adviser recruitment and mobilisation feedback survey – September 2008
- Developing M&E Flowchart Diagrams – September 2008
- Finalising a Governance and Capacity Building preliminary study report – October 2008 (followed on from surveys in March April 2008); and
- Oversight of the design and development of DoT and TSSP information systems October and November 2008.

#### **Implementation January – December 2008**

The M&E Framework for the TSSP was completed during the first input of the M&ES during September-November 2007. The Framework and report was updated in January 2008 following comments provided by AusAID Monitoring and Evaluation Adviser in December 2007. The TSCMIC and AusAID provided final approval on 27 February 2008.

The TSCMIC commissioned TSSP to undertake a review of the Committee's strategic framework. The TSCMIC in consultation with its stakeholders developed, in 2007, a broad strategic framework aimed at improving transport infrastructure sector governance and performance. The framework set out the goal and terms of reference for the TSCMIC as well as indicators to measure the sector's performance.

The review occurred in April 2008 with a report prepared for the TSCMIC in May 2008. A follow-up review will occur in April 2009 to measure progress and achievements for the current year.

The ISP contractor assessment was undertaken in March and December 2008. The assessment framework was flexible to ensure a consistent, accountable and transparent process for measuring and reporting on the quality, timeliness and appropriateness of the support provided by the ISP. Specifically, the assessment framework had been updated to reflect the changing expectations and requirements of the ISP in contributing to broader Program outcomes and shifting away from simple inputs and deliverables. A performance report was prepared in April and December 2008 to inform AusAID as part of its broader negotiations and consultations with the ISP.

A baseline study was commissioned in late March 2008 in selected provinces where TSSP road maintenance activities are occurring – New Ireland, East and West New Britain, Central, Morobe, Madang, East and West Sepik, Milne Bay and Bougainville. This study, sub-contracted to Finnroad, collected initial household information relating to income and access - that is it established baseline data on household compositions and income. A baseline study report was prepared and released to stakeholders in July 2008 and is available on the TSSP website. An impact study to measure changes and impacts is scheduled for November 2009.

A key outcome of the baseline study approach has been the harmonisation of donor activities with the combination of baseline results from this study and an earlier World Bank study. The DoW now has a complete baseline study for the majority of provinces where road maintenance activities are occurring in PNG. By way of demonstrating and encouraging harmonisation between donor agencies, TSSP also agreed to collect data on behalf of the World Bank for a six-country study looking at budget and expenditures on priority roads and the general conditions of roads (good, poor fair etc). The information, provided to the World Bank in April 2008, has not only assisted with the establishment of baseline data but also increased the profile of TSSP as a pathway to PNG transport sector data.

The situation analysis (SA) report is a requirement of all advisers to complete as part of their initial scoping and planning work at the commencement of their assignment. The SA reports are key strategic documents that highlight key issues within functional areas and focus into the future by proposing strategies in addressing them. An analysis of 19 SA reports was conducted in September 2008 with the purpose of: providing a sectoral overview of the main challenges and issues confronting agencies in the transport sector; analysing the linkages between the issues raised in the various situational analyses with the original capacity building technical assistance paper; and in providing an analysis on the strategic context in which TSSP operates. The SA report will be used as a measure of change into the future as advisers annually review their SA reports.

An adviser recruitment and mobilisation feedback survey was completed in September 2008 to assess the quality of TSSP's recruitment and mobilisation procedures to date. Twenty responses were received from the 54 applicants surveyed (both successful and unsuccessful in gaining employment with TSSP). The results of the survey were analysed and key lessons and recommendations prepared to highlight areas of best practice and to strengthen, where necessary, future recruitment and mobilisation procedures.

To assist in communicating M&E to a broader range of stakeholders, two M&E flowcharts were developed to outline and illustrate the connections between the various processes involved in monitoring and evaluating TSSP. The flowcharts highlighted the causal relationships and linkages between TSSP, agency counterparts and TSCMIC with regards to reporting and performance assessment.

The flowcharts are useful tools in explaining the overall approach to external stakeholders as well as a training tool for key advisory staff, particularly at induction. These charts are at Annexes 28 and 29.

As part of its overall baseline study work, TSSP undertook a governance and capacity building baseline study in each of the five transport sector agencies. The purpose of the surveys was to collect basic data around each individual agency's current governance and capacity situation from a range of staff within each organisation and was used as a pre-cursor to the more detailed capacity assessment reviews completed by the TSSP PSMS. Staff participating in the survey were randomly selected and all participants remained anonymous. The output of the surveys was a clear picture on how governance and capacity building was understood and applied within each agency and where gaps existed.

Data storage issues were also addressed during February/March 2008 with the commencement of a procurement process for a server for DoT that would act as a central repository for information relating to the transport sector. The server system was installed during the course of the year and officially launched in October 2008. Two information management systems were also designed in October and November 2008, one for DoT and the other for TSSP. The information system for DoT will collect and store data to assist in improved analysis for policy development. The longer-term strategy is to collect data across the sector to assist in broader sector wide planning and analysis.

## **6.2 Annual Performance Report**

The 2008 Annual Performance Report (APR) was prepared in November/December 2008 to assist with the assessment of progress towards the key Program outcomes contained in the TSSP M&E Framework.

The APR is a strategic document aimed at assessing the performance of the Program as a whole and identifying key achievements and lessons learned at a Program and agency level. The APR also contains data that can inform stakeholders of trends and directions thereby allowing improved decision-making.

The twelve targets identified for 2008 under the TSSP M&E Framework have been achieved (or significant progress has been made). In summary,

- Transport line agencies have received generally higher amounts of funds in 2008 through development budget allocations and supplementary budgets. More attention is, however, required in the effective allocation and reporting of these funds, particularly those in trust accounts
- AusAID's financial commitment through the TSCMIC to the Program has remained strong. Further planning is however required by TSSP in accounting for unforeseen risks such as exchange rate fluctuations and the timely transfer of funds between accounts
- TSCMIC's strategic framework remains closely aligned to the TSSP M&E Framework and will be reviewed again in February 2009
- Asset maintenance plans have been prepared. Ongoing supervision is required to ensure they remain aligned to GoPNG priorities through the NTDP
- TSCMIC has played a pivotal role in clearly defining roles and responsibilities between agencies and has been instrumental in having agencies discuss areas of legislative and operational overlap, and in the coordination of workplans and budget submissions

- Three of the five line agencies have undergone reviews of corporate plans and developed new objectives and indicators
- Intermittent coordination with other international donors has occurred through the TSCMIC sub-committee on aid effectiveness
- Second ISP assessment completed with an improved result overall. A key component was the extensions of the assessment to include agency heads and TSSP agency coordinators
- Incremental improvements have occurred in communicating and liaising with central agencies, primarily the DNP&M
- Road conditions have improved slightly on the last reporting period and five airports have been certified during the year which is ahead of schedule
- HIV and AIDS and environment policies have been made available to all partner agencies. Refinement of agency plans and policies has, however, been slow and will require further assistance into 2009
- A draft Gender Strategy and Implementation Plan is under review by AusAID.

Overall, transport infrastructure line agencies in 2008 have witnessed some significant achievements and gains against agreed outcomes and targets. The foundation through TSSP has been set and progress is being realised under the strategic guidance and management of the TSCMIC. Further work is required to consolidate these gains. Specific issues to be addressed in 2009 include:

- A continuing effort to ensure alignment between the TSCMIC strategic framework and the TSSP M&E framework
- Improving the level and quality of data collection across the sector by agency to effectively measure progress against agency corporate plans and strategies, and assist the DoT with reporting across the sector
- Improvement in financial expenditure reporting and acquittals against appropriated budgets from central agencies
- A continued focus in promoting a coordinated approach to development issues across the sector through improved communication and linkages (i.e. joint budget submission)
- A continued emphasis on improved corporate planning and the linkage of divisional plans to corporate plans and annual work plans
- Maintaining TSSP's current flexible approach in aligning priorities (recruitment, finance and capacity building) to the requirements of the TSCMIC
- Ongoing promotion within line agencies on the need to implement and report against agreed priorities contained in the NTDP
- Continued focus on improved financial reporting (particularly reconciliations) in light of increased funding from GoPNG
- Clarifying the parameters and use of trust accounts – particularly in DoW
- Heightened focus on planning for unforeseen events both technical and financially (e.g. exchange rate fluctuations)
- Maintaining current focus on staged capacity efforts between TSSP advisers and counterparts
- An increased effort on improving infrastructure, namely the quality of roads and the certification of airports
- Maintaining the current link with other international donors through the TSCMIC sub-committee on aid effectiveness.

### 6.3 *Lessons Learned from 2008*

Some key lessons learned during 2008 include:

- The importance of continuing to work with and through the TSCMIC and in supporting that committee
- The ongoing necessity to emphasise the transport infrastructure priorities identified through the NTDP (and/or any new policy framework/s) so that a structured, prioritised and cohesive approach is applied by agencies to maintenance planning
- The critical importance of longer-term planning behind TSSP (10-15 years) and the incremental and staged Program implementation and the tempering of expectations of quick achievements
- Recognising the importance of having counterparts engaged at all levels of planning, implementation and management as a key component of capacity building and transfer of knowledge
- The importance of maintaining and promoting a wide definition of 'technical assistance' and to remain flexible in the delivery of capacity building assistance as defined by the needs of counterparts
- Ensuring the alignment of performance information and frameworks remain central to M&E for the TSSP. In this instance, ensuring a logical flow of information from corporate plans through to the TSSP M&E framework and into the broader TSCMIC strategic framework. The logical progression of information better allows stakeholders to review performance, and assess contributions
- Ensuring information is shared between TSSP advisers to improve planning and coordination and to identify key linkages.

### 6.4 *M&E strategies and work priorities for 2009*

Considerable progress has been achieved from an M&E perspective by TSSP in 2008 particularly when viewed as setting a sound foundation for future years. Additional work is required to consolidate these and build upon the achievements and lessons learned.

Specific activities will include:

- Facilitation of Monitoring Review Group (MRG) in February 2009 to review Program activities from a M&E perspective
- Review of TSCMIC Strategic Framework and assessment of progress against indicators
- Formal M&E training for TSSP advisers and counterparts
- Refining any technical issues with TSSP and DOT information systems and assessing the capacity to expand the DoT system to capture more sector wide data
- Finalising planning for TSSP Socio-Economic Impact Study and assisting with planning arrangements
- Interaction with transport infrastructure partner agencies to assist in strengthening corporate planning processes
- Assisting with transition of Key Roads for Growth Road Maintenance Program (KRGRMP) into TSSP
- Assisting AusAID with the development of a sector performance report
- Preparing a further ISP Performance Report
- Developing a 2009-2010 Annual Performance Report.

## 7 FINANCIAL REPORT

### 7.1 Sources and Application of Funds January - December 2008

The following table summarises movements on all the Program's flexible funding facilities for the year to 31 December 2008.

<b>TSSP Flexible Funding Facilities</b>							
<b>Summary of Movements on Accounts</b>							
<b>For the 12 Months to the End of December 2008 (plus December 2007 for the Bougainville project)</b>							
	TOTAL	DoW AMIA	Bougainville	Public	TAIA	TATA (AUD Account)	
	PGK	PGK	AMIA	Bodies	(PGK	PGK(2)	AUD
	PGK	PGK	PGK	AMIA	Account)		
	PGK	PGK	PGK	PGK	PGK		
<b>Opening Balance</b>	0	0	0	0	0		0
<b>Transfers from TSS-IP</b>							
- Transfers from TSS-IP DoW AMIA accounts	12,541,575	12,541,575					
- Transfer of Performance Grant Funds	68,939,250	68,939,250					
- Transfer from NRRSP accounts	3,691,936	3,691,936					
- Transfer of old AIDAB (Lae) account	66,623	66,623					
- Transfer of NRBMP accounts	5,889,649	5,889,649					
<b>Tranches Received from AusAID</b>							
- Normal Tranches	59,705,140	22,465,025	21,721,531			15,518,584	7,700,000
- Performance Grant Tranches	85,410,500	85,410,500					
- IFGI Tranches	37,224,379	12,550,500	2,746,454	21,927,424			
<b>Other Cash Inflows</b>							
- Deposit by Provincial Gov't	3,000,000	3,000,000					
- Deposit by GoPNG	0						
- GST Refunds Received	4,224,560	4,124,259	100,301				
- Transfers from AUD Account	0				714,261	-714,261	-300,000
<b>Expenditure</b>							
- Infrastructure Maintenance	-99,299,472	-78,047,174	-20,145,771	-1,106,527			
- Technical Assistance	-8,841,176				-265,398	-8,575,778	-4,255,123
- Consultancies	-2,970,198					-2,970,198	-1,473,751
- Transfers	0						
- Interest Received	792,313	544,485		55,179	0	192,648	95,588
- Net Other Transactions	-82,226	-81,683	-35	0	0	-509	-252
<b>Closing Balances</b>	<b>170,292,851</b>	<b>141,094,945</b>	<b>4,422,480</b>	<b>20,876,076</b>	<b>448,863</b>	<b>3,450,488</b>	<b>1,766,462</b>

*Nominal exchange rate used is the program weighted average of transfers of AUD to PGK, i.e. AUD1.00 = PGK 2.0154*

More detailed summaries for the TAIAs, the DoW AMIA, the BAMIA and the PBAMIA are shown in Annexes 22, 23, 24 and 25 respectively.

## *7.2 Projected Expenditure January - December 2009*

Projected expenditure from each of the flexible funding facilities for the year ending 31 December 2009 is as follows:

TAIA	PGK29.7 million (AUD17.5 million)
DoW AMIA	PGK53.0 million
Bougainville AMIA	PGK4.4 million
Public Bodies AMIA	<u>PGK31.4 million</u>
<b>Total</b>	<b><u>PGK118.5 million</u></b>

## 8. KEY STRATEGIC ISSUES

- **Capacity**

The capacity of many GoPNG personnel, particularly at the operational level, continued to prove challenging for many Advisers. Capacity constraints have often limited the ability of transport infrastructure agencies to carry out key functions and responsibilities.

Key transport infrastructure sector agencies have experienced a slowing of project works, often as a result of weak planning, scoping and procurement skills; and/or a smaller number of personnel appointed to work units than might be anticipated. These limitations have been evidenced within DoW with road projects being delayed or re-tendered; and within the CAA, ASL, and NMSA with slower than anticipated scoping and tendering of works <sup>35</sup>.

Capacity limitations have also been experienced in the private sector and the DoW in particular has found it difficult to continue to source contractors capable of undertaking required technical and supervisory works. The private sector has proved to be overstretched and, with few exceptions, to be hampered by limited tendering, implementation and/or project management skills; unreliability; an inability to secure and retain suitable staff; and often severe cash flow shortages; all of which have impacted upon the timely delivery and quality of works.

The absence of appointed counterpart officers and limited access to senior executives is an ongoing issue. This has proved frequently to be associated with and/or exacerbated by agency restructures (DoT, DoW, CAA, PNG Ports and DNP&M have all restructured during 2008) with an associated 'spill and fill' for positions and/or agencies awaiting approval to advertise and fill vacant positions.

- **Management of the Roads Program**

During 2008 TSSP has built up and embedded a substantial adviser presence in DoW. In general it has been found that DoW has solid supervision and administrative policies and procedures in planning and managing road maintenance activities, however familiarity with and implementation of these procedures is poor. The DoW advisers are therefore focusing on raising awareness of the proper procedures and developing understanding as to the importance of adherence. Progress is mixed, but there is a clear indication from departmental senior staff, most notably the Principal Field Coordinators (PFC), that DoW must better manage maintenance activities and take more responsibility for the road network, starting with the 16 Priority Roads.

In regards to the AusAID funded maintenance projects, TSSP has experienced difficulty in obtaining the necessary counterpart participation to achieve timely project scoping, tender document preparation and tender evaluation. As a group, TSSP advisers are addressing this issue, and there has been some progress during the second half of 2008. DoW is being assisted with the development of standardised checklists, tendering and evaluation procedures and in the development of a Contracts and Procurement Branch to drive project development and implementation.

There are perceptions within DoW that donors have driven road asset maintenance planning, programming and management over the past decade, and a determination to take a leading role in the management of these assets. There are many challenges associated with this change.

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<sup>35</sup> These technical limitations were foreshadowed in the TSSP Capacity Assessment in December 2007 and the subsequent Staged Capacity Building Model has been developed as a mechanism to identify, monitor and (over time) increase capacity within a strategic framework, however progress is likely to be slower than initially anticipated.

TSSP has commenced by working to GoPNG and DoW priorities and (as required by the Program Scope of Services) within – and strengthening – DoW systems and procedures. This has caused some short term delays however it is anticipated that, in the longer term, greater sustainability will be achieved.

- **TSCMIC, Policy and Sector Management**

The TSCMIC continues to play a central role setting strategic direction for TSSP (coordinating sector management efforts, prioritising needs, monitoring asset maintenance workplans, establishing and promoting sector-wide budget submissions, and promoting policy). The TSSP has established a sound working relationship with the TSCMIC and is responsive to ongoing and/or changing circumstances and needs. Alignment of the TSSP goal with that of the TSCMIC has been an important step.

Notwithstanding this, the TSCMIC is a relatively newly formed Committee and is still growing into its role as a coordinated voice for the sector. It is anticipated that the TSCMIC will mature as a Committee over 2009-2010, and increase its influence.

A revitalised GoPNG policy environment will be exceedingly important to the transport sector during 2009 and onwards. The policies identified for discussion, development and/or revision are:

- Long Term Development Strategy (40 year) through Public Sector Reform Management Unit
- Long Term Development Strategy (20 year) through Department National Planning and Monitoring
- Medium Term Development Strategy (5 years) through Department of National Planning and Monitoring
- National Transport Strategy(20 years) through the Department of Transport
- Medium Term Transport Plans (5 years) through Department of Transport.

- **Funding**

The GoPNG has increased funding for transport sector infrastructure over 2008 (both through the development and recurrent budgets) and this is likely to continue into 2009 with the release of additional funds through the supplementary budget to fund infrastructure against agreed national (NTDP) priorities. Complementing this increase in funds has been the development of the first joint sector-wide budget submission (coordinated by DoT) covering all transport infrastructure line agencies. The budget also contains a five-year implementation and management plan. Both the budget and plan will be managed and monitored by the TSCMIC. TSSP will provide financial management support within line agencies to ensure these funds are allocated and budgeted accordingly.

The recent global financial crisis has impacted on AusAID and therefore TSSP funding. It has proved necessary to reduce planned TSSP funded activities for 2009 as a result of the funding shortfalls that followed a decrease in value of the Australian dollar against the PNG kina. The full extent of this impact is still being realised, however in the short term only limited new projects will be implemented. Nonetheless, TSSP has PGK53million available for on-going works during 2009 and a further PGK18million for new projects (already committed). Included are the Wabag – Wapanamanda Rehabilitation in Enga Province and the Mai-Nuku Road Upgrade in Sandaun Province.

- **TSSP Contract Amendments**

Unexpected delays have been experienced in association with the issuance of a TSSP contract amendment, notwithstanding initial negotiations and agreement. This has slowed Program planning around some priority projects, notably the Oro Bridge Design and Document Development and the commencement of a Bridge Adviser team within DoW. The postponement of some personnel appointments has also been necessitated.

## 9. RECOMMENDATIONS

The Change Frame at Annex 8 provides a summary of the proposed changes to the Program for 2008 onwards.

In summary this incorporates:

- *Some changes in reporting frequency and approach*  
These changes largely rest on agreements to maximise reporting effectiveness, minimise the risk of duplication, provide the TSCMIC and AusAID with the information required in a timely manner, and maximize Program time on the planning implementation and monitoring required by such a large and flexible Program.
- Procurement of a Gender and an HIV and AIDS Consultant for a total input of twelve months between September 2008 and June 2010 (comprising 2 x 4 month inputs by two separate consultants each full year). One only input was specified within the SOS for a Gender and HIV and AIDS Specialist to develop two policies and plans for these cross-cutting policy areas of importance to GoPNG and AusAID.

Consultations with GoPNG agencies, and the analysis within the plans developed by the relevant Specialists, make very apparent the need for advisory support within and across the transport sector, particularly given the role the transport system can play in supporting positive change.

All transport sector line agencies have indicated an interest in developing and/or improving planning, implementation and monitoring; and a willingness to extend consideration of gender and HIV and AIDS as cross-cutting issues to the sector more broadly; however have also indicated a lack of knowledge and skill to bring this about. Several agencies have made specific requests for assistance in these highly specialised areas.

- A reduction in the overall input duration from the PSMS from 36 to 30 months through to June 2010. This core position was envisaged as a full-time input. While this was essential during the first 18-months of the Program, a review found that the aims, role and responsibilities could readily be achieved with a marginally reduced input, noting that the reduction would have even less impact given that there are no recreation leave entitlements attached to short term inputs.
- A job-sharing approach for the role of M&E and an extension from an eight month input each year to full-time (12 months) input duration for the remainder of TSSP. This core position was planned as an eight month input (per annum) to June 2010 however the increasing importance of M&E to all Program stakeholders, and the support required (for the TSCMIC and within agencies in linking business, corporate and strategic plans) has necessitated a re-think and confirmed the need for a full-time presence. Further, the current incumbent has found it necessary to reduce input durations from 2009 onwards. Given the insightful M&E platform that has been established for TSSP during this input, it is proposed to retain his services for three months each year to maintain strategic oversight, and engage a second M&E consultant to progress agreed activities under his stewardship.

The Change Frame does not encompass the changes that are under consideration within AusAID (since May 2008) as a result of accepting the TSSP Inception Report and associated recommendations.

The Change Frame will be reviewed in the context of the independent Monitoring and Review Group's report and associated information and recommendations proposed, as and where agreed, as a result of the February 2009 input.